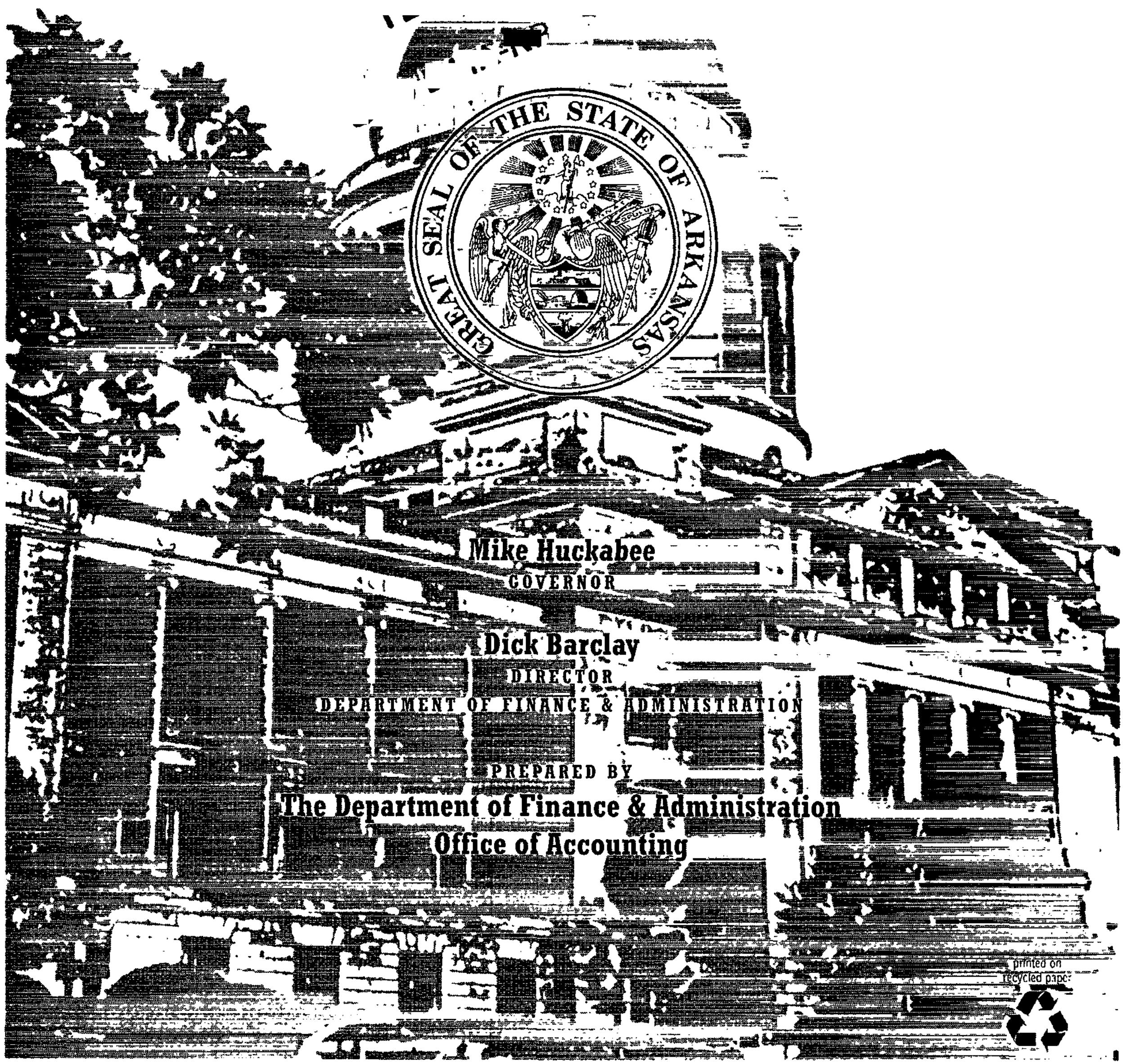
ARKANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2000



Mike Huckabee
GOVERNOR

Dick Barclay
DIRECTOR
DEPARTMENT OF FINANCE & ADMINISTRATION

PREPARED BY
The Department of Finance & Administration
Office of Accounting

printed on recycled paper

Governor Mike Huckabee

STATE OF ARKANSAS
MIKE HUCKABEE
GOVERNOR

November 29, 2000

To the people of Arkansas and the honorable members of the Arkansas Legislature:

I submit to you the June 30, 2000, Arkansas Comprehensive Annual Financial Report. This is an important part of our efforts to ensure timely and accurate financial reporting. It provides us a complete picture of the state's financial status and is an excellent way to meet our continuing disclosure responsibilities to the national credit markets.

The state's four previous CAFRs were presented the Government Finance Officers Association's certificate of achievement for excellence in financial reporting. This award represents an accomplishment of which I'm proud. I'm confident the Arkansas Department of Finance and Administration will continue to participate in this prestigious program.

My sincere thanks go to all of those at the Department of Finance and Administration for their commitment to this project and to those at the other state agencies who cooperated.

Sincerely yours,

Mike Huckabee

MH:st


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
MERCY
JUSTICE

ACKNOWLEDGMENTS

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Special appreciation is given to Mike Kemp, Department of Finance and Administration, who assisted in the preparation of the transmittal letter and in the divider pages. Special appreciation is also given to LeAnne Bird, Arkansas Department of Higher Education, who assisted in the design of the cover and divider pages and to all personnel throughout the State, whose extra effort to contribute accurate, timely financial data for their agencies, made this report possible.

STATE OF ARKANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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INTRODUCTORY SECTION

The mission of the Arkansas Department of Higher Education is to be an advocate for higher education in Arkansas; to promote a coordinated system of higher education in the state; and to provide for the orderly and effective development of each of the publicly and locally supported institutions of higher education in the state — all geared toward improving the delivery of higher education services to the citizens of Arkansas. Pictured are students on the campus of the U of A.

STATE OF ARKANSAS

PRINCIPAL OFFICIALS

Elected Officials	Legislative Branch	Supreme Court
Governor Mike Huckabee	**President Pro Tempore** Jay Bradford	**Chief Justice** W.H. "Dub" Arnold
Lt. Governor Winthrop P. Rockefeller, Jr.	**Speaker of the House** Bob Johnson	**Associate Justice** Robert L. Brown
State Treasurer Jimmie Lou Fisher		**Associate Justice** Annabelle Clinton Imber
State Auditor Gus Wingfield		**Associate Justice** Lavenski Smith
Secretary of State Sharon Priest		**Associate Justice** Donald L. Corbin
Attorney General Mark L. Pryor		**Associate Justice** Tom Glaze
Land Commissioner Charles Daniels		**Associate Justice** Ray Thornton

STATE OF ARKANSAS
Department of Finance and Administration

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November 17, 2000

The Honorable Mike Huckabee, Governor
The Honorable Members of the Arkansas Legislature
The Citizens of Arkansas

It is my pleasure to transmit to you the Comprehensive Annual Financial Report of the State of Arkansas (the "State") for the fiscal year ended June 30, 2000. The report has been prepared by the Department of Finance and Administration. Responsibility for both the accuracy of data and the completeness and fairness of the presentation, including all disclosures, rests with the Department of Finance and Administration. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the various funds and account groups of the State. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

The report is presented in three sections. The introductory section includes this transmittal letter with narrative commentary on matters of interest to the reader and the State's organizational chart; the financial section includes the Independent Auditors' Report, general purpose financial statements, notes to the financial statements, required supplementary information, combining financial statements by fund type, schedules for account groups and other schedules; the statistical section includes selected financial, economic, and demographic data for the State on a multi-year basis.

All agencies, accounts, departments, boards and commissions that represent the State's reporting entity are included in this report. The criteria used in determining the State's reporting entity are fully discussed in Note 1. The State provides a full range of services including: education, health and human resources, transportation, public safety, conservation of natural resources, economic development and regulation of businesses and professionals.

ECONOMIC CONDITION AND OUTLOOK

The Economic Expansion Continues. The Arkansas economy will continue on a modest rate of expansion. Due to the broad dispersion of industry in Arkansas relative to the nation and other states, Arkansas will continue to achieve stable growth. From 2000 through 2003, employment growth will continue at a pace between 2.0 and 3.0 percent with proportionate gains in output and personal income.

The State's work force and other factors continue to attract investment in manufacturing, as well as other sectors to the State. The fundamental determinant of wages is productivity. Also important to the favorable rate of investment in Arkansas are energy costs, investment in public infrastructure, the state's location, other labor compensation costs, housing costs, educational investment, environment, and state fiscal policy. Tax cuts, for example, amounted to $160 million in 1999 and 2000.

Employment. In FY 2000, non-agricultural payroll employment expanded by 24,900 jobs or 2.2 percent over FY 1999. The forecast for the current FY 2001 is another expansion of 27,700 jobs, or 2.4 percent. This will bring payroll employment to a record level of 1,184,000 jobs. The unemployment rate was a record low of 4.3 percent in FY 2000.

Real Output. In FY 2000, real output (1996$) of final goods and services, totaled $58,633 million, an increase of 3.0 percent or $1,500 million over FY 1999. Since FY 1988, when real output measured $38,356 million, real output has grown at an annual compound rate of 3.5 percent.

State Personal Income. Personal income consists of wages and salaries, dividends, interest, rent and transfer payments such as retirement incomes. Personal income does not include realized capital gains from the sale of assets.

Personal income is measured in current dollars and reached a total of $57,855 million in FY 2000. This represented an increase of $1,434 million or 2.5 percent over FY 1999. Since FY 1988, personal income has climbed from $28,661 million to $57,855 million, at a compound annual growth rate of 6.1 percent.

Real State Personal Income (1996$). This measure is adjusted for inflation and totaled $34,161 million in FY 2000, an increase of $638 million or 1.9 percent above FY 1999.

A longer term perspective shows that the unemployment rate fell from 7.8 percent in 1988, or from 85,900 people in FY 1998 to 52,700 in FY 1999. In addition, while State employment rose and unemployment fell, the State's population grew by 203,500 persons.

MAJOR INITIATIVES

Highways and Transportation

Three hundred eighty miles of interstate highways in Arkansas will be rebuilt during the five-year Interstate Rehabilitation Program (IRP) that is now underway. This is the most ambitious highway rehabilitation project ever undertaken in Arkansas, and will result in a multitude of benefits for all Arkansans and for others who use the interstate highways. The benefits of this historic undertaking include safer travel, earlier project completion, less wear-and-tear on vehicles and more efficient movement of goods and services. All Arkansans will share the benefits of the program in many ways.

An example of the massive scope of the program can be seen in a comparison of the amount of work done on interstate highways prior to the IRP and the amount being undertaken as part of the program. For example:

- With the IRP, the Highway and Transportation Department will average about 125 miles of interstate reconstruction in each of the next three years compared to a rate of 15 miles re-done in each of previous years.
- All 284 miles of Interstate 40 were originally constructed at a cost of less than $1 million per mile, yet current reconstruction costs will be between $2 million and $3 million per mile.
- It took about 20 years and $837 million to construct the 542 miles of interstates in Arkansas, excluding Interstate 530 and the new section of Interstate 540. It will take approximately five years and $950 million to reconstruct 69 percent of those interstate miles with the Interstate Rehabilitation Program.

By 2002, all 380 miles of construction work will be underway, with completion scheduled by 2005. The Interstate Rehabilitation Program is possible through an innovative financing concept known as Grant Anticipation Revenue Vehicles. The Arkansas State Highway Commission will be able to use future federal funds to retire $575 million worth of bonds as passed by the Arkansas General Assembly and approved 4-to-1 by Arkansas voters in 1999. Repayment will also come from required state matching funds and the proceeds from a phased-in 4-cent-a-gallon increase in the state tax on diesel fuel.

Tax Reform and Tax Relief

On November 7, 2000, Arkansas voters approved an amendment to the State Constitution that provides a property tax credit of up to $300 for homeowners. Act 1492 of 1999 stipulated that if voters approved Amendment 2, the state sales tax would increase ½ cent on January 1, 2000, to fund the amendment. Actions of the 82nd General Assembly and the Governor resulted in significant accomplishments in tax reform and tax relief. Property tax refunds were increased, a Property Taxpayers' Bill of Rights was established, a law was passed requiring a county assessor to give notice to a property owner at least 45 days before a reappraisal, as well as a host of other property tax reform measures. Act 1185 of 1999 requires each county to institute a system of regular revaluation of all real estate. The revaluation efforts will be funded by the State. Counties have the option to conduct their own revaluation programs or contract the work to private firms. In either case, counties must adhere to new standards that ensure fairness and equity. Any assessment increases resulting from the revaluation efforts will be phased in over three years.

Several measures passed and signed by the Governor provide for income tax reform and relief, in particular to encourage saving and provide relief through changes in dependent tax credits and the state income tax credit for household and dependent care. Finally, Act 1005 of 1999 excludes the first 30% of a capital gain from the state individual income tax.

Arkansas Administrative Statewide Information System

Arkansas is the first state in the country to integrate all its accounting and budgetary functions, human resources functions and various means of communication with the public into a single innovative system. No other state has implemented or is in the process of implementing as many applications as planned in Arkansas state government. The Arkansas Administrative Statewide Information System (AASIS) will standardize, integrate and streamline the financial and administrative functions of Arkansas state government. It will enable performance based budgeting, activity based costing, and provide enhanced reporting capabilities for the State's decision-makers. AASIS will automate many manual functions; distribute and reduce redundant data entry; simplify storage and processing; improve financial controls; and enhance the value and availability of information provided to State agency executives, the Governor, the Legislature, and the people of Arkansas. It will employ electronic procurement solutions to achieve efficiency in interacting with business partners and reduce or eliminate paper documentation. The project has an impact on every State agency and all are involved in its implementation with the Department of Finance and Administration in the lead role. AASIS implements a solution based on proven, state-of-the-art technologies that can migrate to technologies of tomorrow. It implements secure self-service web-enabled solutions whereby employees, retirees, and fiduciaries have direct access to necessary personnel, payroll, benefit, and retirement information, plus builds a framework to enhance the public's access to information. The AASIS system brings Arkansas State agencies together for the good of all taxpayers and employees.

ARTAX

The Office of Excise Tax Administration launched a new Internet Filing System for Excise Tax reports, effective August 9, 2000. The online filing process for monthly reports benefits everyone from multi-state corporations to sole proprietors. Other types of taxes such as state income tax withholding will be available online in the future. Two vendors are currently providing filing services over the web. The first vendor is Nationtax® Online from Birmingham, Alabama. The second vendor, *artax*, is a product of the efforts of the Department of Finance and Administration and Information Network Arkansas. *Artax* is a filing service for Arkansas reporting only. Both providers have step-by-step online demonstrations of their services available.

There are links to both providers from the department's Sales & Use Tax website: http://www.state.ar.us/dfa/taxes/salestax/index.html. Both service providers allow the taxpayer to enter sales information and then the program calculates the tax due or tax refund. This will reduce calculation errors in completing the report. Tele-file is a similar paper-less program that allows Sales and Use Tax permit holders to file a monthly report of zero sales over the telephone. Tele-file receives approximately 5,000 reports per month.

Education

Governor Mike Huckabee proposed a three thousand dollar a year raise for Arkansas teachers as part of his balanced budget proposal. The Governor's plan would increase teacher salaries one thousand dollars a year during the first year of the new biennium, then increase teacher salaries another two thousand dollars per year beginning the second year of the new biennium.

The Governor proposed far reaching legislation in the area of Education that was passed during the 82nd General Assembly. Understanding that a child's academic foundation must be strong and solid, Governor Mike Huckabee launched Smart Start. This comprehensive initiative focuses on improving reading and mathematics achievement for all students in grades K-4. Through this effort, the goal is to have all students performing at grade level by the end of grade 4.

Smart Start, with a budget of $8.6 million, is one part of the Arkansas Comprehensive Testing, Assessment, and Accountability Program, a system covering pre-kindergarten through twelfth grade and incorporating the recommendations of the 1998 Excellence in Arkansas Public Education Task Force

Through advanced technology, Arkansas students excel in rural as well as urban school districts. Sixty Arkansas high schools offer Environmental and Spatial Technology (EAST), a nationally acclaimed program supported by a collaborative partnership involving Intergraph Corporation, several universities and the Arkansas Department of Education. In project-based lab classes, students use geographic information systems (GIS) and computer-aided design to develop real-world applications for community projects.

Secondary vocational education is available to every public school student in the state, either at the high school or a secondary area vocational center that serves students from surrounding school districts. Career Orientation, which introduces students to different careers and to workplace expectations, is required of every student at the junior high school level as a prerequisite for all programs of study/career majors developed by the Department of Workforce Education.

Arkansas is restructuring high school vocational education to help students make a smoother transition from school to postsecondary education and/or the workplace. Career Opportunities, High Schools that Work, and Youth Apprenticeship are part of this systemic change that provides students with academically challenging courses.

Proposals passed during the 82nd General Assembly will have long lasting effects for higher education. Act 858 of 1999 raises the family income limit on the Academic Challenge Scholarship Program. This will allow more students to attend college and will encourage Arkansans to attend college in-state. Act 1158 of 1999 requires the Workforce Education and Career Opportunities Board to develop a performance-based accountability system for post-secondary and technical institutions. Act 652 of 1999 establishes the Arkansas Technical Careers Loan Forgiveness Program to assist students who will fill special needs areas in the technical skill fields.

Economic Development

In an increasingly competitive environment for economic development that includes nationwide competition for high paying jobs, Arkansas' economic development efforts have been retooled and refocused with remarkable results for the future of the State. Act 995 of 1999 amends the Manufacturers Investment Tax Credit Act of 1985 to expand eligibility to include businesses engaged in a variety of services. Income tax credits were passed for eligible businesses undertaking large capital investment or job-creation projects, and for companies purchasing or constructing a facility that designs, develops or produces electric vehicles or the fuel cells that power them. Another program, established by Act 448 of 1999, creates a two-year pilot program operated by the Department of Economic Development that makes participation loans in amounts from $5,000 to $80,000 to small business owners in the state.

Law Enforcement, Criminal Justice, and Juvenile Justice Reform

Government's most basic role is to keep our communities safe. The March 1998 shootings at Westside Middle School near Jonesboro and problems with the juvenile justice system prompted the Governor to propose legislation passed by the 82nd General Assembly. Act 1192 of 1999 authorizes juvenile judges to impose adult sanctions on offenders younger than 13 if convicted of capital or first-degree murder and judged competent to stand trial. It also allows 14 and 15 year olds convicted of a violent crime to receive adult sanctions. Significant funds were provided the Department of Human Services - Division of Youth Services to address adequate facility and equipment needs of supervising young offenders.

Act 565 of 1999 allows, at a prosecutor's request, state Crime Lab analysts to testify in court by two-way closed-circuit or satellite-transmitted television. Legislation was passed to address a plan for a statewide radio system. A group of representatives from various state agencies will make recommendations to the Governor and the Legislative Joint Committee on Advanced Communications and Information Technology by March 31, 2000. To add to the State's infrastructure for training law enforcement officers, Act 688 of 1999 authorizes construction of the Northwest Arkansas satellite training facility. Act 1213 of 1999 provides personnel and equipment for the Western Regional Drug Laboratory.

Family Issues

The Administration had clear recommendations in the areas of adoption reform and divorce reform for consideration by the 82nd General Assembly and had great success in passing several significant laws. Compliance with the federal Adoptions and Safe Families Act was accomplished with passage of Act 401 of 1999. Act 704 of 1999 allows judges to require divorcing parents of minors to complete two hours of parenting classes or require them to take part in divorce mediation.

Act 328 of 1999 extends subsidy payments from age 18 to 21 if a child has a documented disability that prevents him from living independently. Act 517 of 1999 amends the guardianship statute to comply with the Adoption and Safe Families Act. It allows any parent who is chronically ill or near death, without surrendering parental rights, to have a standby guardian appointed by the court. Finally, Act 518 of 1999 amends the adoption code to allow foster children to be adopted by their foster parents more quickly when they have been living in the home six months or longer.

Health and Human Services

Continuing the progress made in recent years, the Governor recommended passage of Act 849 of 1999, which changed the ARKids First Program from a pilot program to a permanent program. Originally passed in 1997, ARKids First provides preventive health care insurance to the children of those making up to 200% of the poverty level. There are more than 38,000 children already insured through the program. Act 1181 of 1999 established a Nursing Home Patients' Bill of Rights.

Government Efficiency and Anti-Corruption

Significant strides were made during the 82nd General Assembly toward improvements in government efficiency and anti-corruption legislation. The Governor signed into law several acts addressing these areas. Act 1061 of 1999 authorizes the Department of Finance and Administration to implement the Career Ladder Incentive Program for state employees. This legislation is complemented by passage of Act 222, which allows for a pilot project in performance-based budgeting. A major new project that also will pave the way for implementation of Performance Based Budgeting is authorization of a new statewide integrated information system.

Anti-corruption legislation was passed to protect public employees from retaliation by their employers when an employee has told the appropriate authority about a violation of the law or a waste of public money, property or manpower. Act 34 of 1999 prohibits constitutional officers, legislators and their spouses from receiving employment during and two years after their term in office. It prohibits job enhancement if the constitutional officer, legislator or spouse has a state job prior to the term in office. It also restricts constitutional officers, legislators and their spouses from entering into contracts and lease agreements or receiving grants unless the contract, lease or grant involves a competitive bid.

FINANCIAL MANAGEMENT

The financial statements of the State are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which requires that specific fund types be used on the combined balance sheet.

There are four categories of funds. The first category is the governmental fund. The general fund is used to account for all general government activities not accounted for in another fund and is the only governmental fund currently in use.

The proprietary fund is used to account for activities similar to the private sector, where the determination of net income is necessary or useful for sound financial administration. A component of the proprietary fund is the enterprise fund which provides goods and services to outside parties.

The fiduciary fund is used to account for assets held on behalf of outside parties or other funds within the government. When assets are held under the terms of a formal trust agreement, a pension trust fund or expendable trust fund is used. The term "expendable" refers to the ability of the governing agent to spend the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

The higher education fund presents the State supported colleges and universities in accordance with the American Institute of Certified Public Accountants Industry Audit Guide, *Audits of Colleges and Universities*, and guidance as outlined by the National Association of College and University Business Officers and Governmental Accounting Standards Board.

Under GAAP, fund balance represents the excess of assets over liabilities. Therefore, it is possible for fund balance to remain unchanged while cash balances decrease or increase. In addition, certain amounts of fund balances may be reserved or "not spendable."

Internal Controls

The management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse and that adequate accounting data is compiled to allow the preparation of the financial statements in conformity with GAAP. The internal control structure has been designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, the reliability of financial

records for preparing financial statements, and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

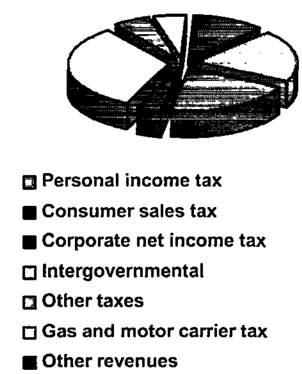
Budgetary control is maintained through legislative appropriation. Agencies submit budgetary requests to the Department of Finance and Administration. The Department of Finance and Administration compiles the executive budget on behalf of the Governor who submits it to the Legislature. The Department of Finance and Administration maintains control over the spending patterns of the State after the approval of the budget through control at the line item level. See Note 2 (Budgetary Basis Reporting - Budgetary Process) for further discussion of budgetary controls.

General Government Functions

Most State functions are financed through the general fund. The State's most significant sources of revenues in the general fund (GAAP basis) are taxes and intergovernmental. The State's most significant areas of expenditures from the general fund (GAAP basis) are the areas of public and higher education and health and human resources. The following charts present actual general fund (GAAP basis) revenues and expenditures for the fiscal year ended June 30, 2000 (expressed in thousands):

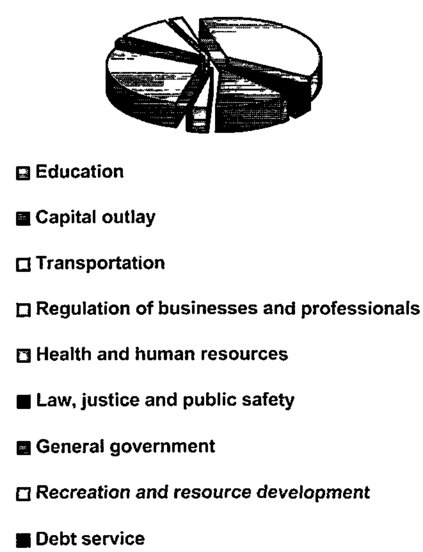
Revenues	2000	1999	Increase (Decrease) Percent
Personal income tax	$ 1,697,354	$ 1,625,316	4.43 %
Consumer sales tax	1,651,341	1,560,892	5.79 %
Corporate net income tax	247,247	248,664	(0.57)%
Gas and motor carrier tax	419,979	386,503	8.66 %
Other taxes	349,969	353,136	(0.90)%
Intergovernmental	2,613,654	2,459,368	6.27 %
Other revenues	1,026,215	936,410	9.59 %
Total	$ 8,005,759	$ 7,570,289	5.75 %

REVENUE BY SOURCE FOR GENERAL FUND - 2000



Expenditures	2000	1999	Increase (Decrease) Percent
Education	$ 2,098,860	$ 1,959,309	7.12 %
Health and human resources	2,698,687	2,614,967	3.20 %
Transportation	622,061	559,572	11.17 %
Law, justice and public safety	333,211	311,176	7.08 %
Recreation and resource development	203,358	170,619	19.19 %
General government	1,025,369	992,322	3.33 %
Regulation of businesses and professionals	161,703	139,345	16.05 %
Debt service	77,244	57,917	33.37 %
Capital outlay	142,227	120,525	18.01 %
Total	$ 7,362,720	$ 6,925,752	6.31 %

EXPENDITURES FROM GENERAL FUND - 2000



Governmental revenues increased modestly by 5.75%, reflecting additional personal income tax revenue and consumer sales tax revenue of $72 million and $90 million, respectively. Intergovernmental revenues increased by $154 million due primarily to increased fundings from the federal government for the Medicaid program.

Expenditures increased in fiscal year 2000 by 6.31% as the demand for governmental services rose consistently with the increase in revenues. The principal reasons for the increase is due primarily to increases in education, health and human resources, and general government expenditures.

Proprietary and Fiduciary Funds

The State's enterprise operations include the Workers' Compensation Commission, the Construction Assistance Revolving Loan Fund, and Other Revolving Loan Funds. Since it is the intent of these programs to primarily recover operating costs (including depreciation) through user charges, they utilize an accrual basis of accounting with a measurement focus on the flow of economic resources.

Fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. These include the expendable trust, pension trust and agency funds. Trust funds are established through trust agreements specifying how the funds will operate. Agency funds are custodial in nature and do not report fund balances. The trust funds include the Employment Security Division, Arkansas Judicial Retirement Plan, Arkansas Teacher Retirement Plan, Arkansas State Police Retirement Plan, Arkansas Highway Retirement Plan and Arkansas State Employees Retirement Plan. Agency funds include the State Insurance Department and Other Agencies.

Component Units

The component units include the accounts of Arkansas Student Loan Authority and Arkansas Development Finance Authority. These authorities are legally separate entities that are not operating departments of the State and are managed independently with their powers generally vested in a governing board. Each authority is established for a specific purpose, such as education and economic development.

Combined operating revenues and expenses for the State's authorities amounted to approximately $108 million and $122 million, respectively, for fiscal year 2000. The total combined amount of retained earnings at fiscal year end was approximately $125 million.

Debt Administration

The Constitution of the State of Arkansas does not limit the amount of general obligation bonds which may be issued by the State; however, no such bonds may be issued unless approved by the voters of the State at a general election or special election held for that purpose. The total outstanding general obligation bonded indebtedness, including special obligation and other debt instruments, of the governmental fund types of the State as of June 30, 2000, was approximately $555 million. Arkansas currently has a rating of Aa2 from Moody's Investors Service and a rating of AA from Standard and Poors.

Cash Management

State funds are invested by the Treasurer and also by various state agencies, including the retirement systems and institutions of higher education. Permissible investments include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government Obligations); repurchase agreements; corporate debt and equity obligations; and state and local government securities.

Risk Management

The State manages risk with a combination of self-insurance and commercial policies. The State established the Risk Management Office in accordance with State law for the purpose of analyzing and making recommendations as to cost effective loss control and safety programs for the various State agencies.

The State also established the State Employees Insurance Advisory Committee (the "Committee") by Act 48 of 1972 and allowed the Committee to pursue self-funding activities by Act 576 of 1975. The Committee provides comprehensive major medical care, prescription drug and life insurance for employees of the State and its participating component units, as well as their dependents, through the establishment of a variety of self-insured plans. The Committee also makes medical coverage available to retirees should they elect to continue such coverage at their own expense.

Audit

The firm of Deloitte & Touche LLP performed the audit for the fiscal year ended June 30, 2000. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement. The auditors' report on the general purpose financial statements is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Arkansas for its Comprehensive Annual Financial Reports for the fiscal year ended June 30, 1999. This was the fourth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement program requirements, and are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

Recognition for the leadership of accurate and timely financial reporting lies with Governor Mike Huckabee. He has made fiscal responsibility a high priority in his administration and his leadership has been crucial to the project's success. Governor Huckabee believes that this project will provide overall improvements in government accountability. It will save the State interest expense by providing market analysts, potential investors and others with complete, comparable financial information. It will provide the Legislature and others in key positions that require them to make financial decisions with clear, concise and complete financial data that is free of ambiguities or any misleading facts. The Governor's commitment to this project, especially his support of continued funding, demonstrates his firm belief in our continuing progress.

This report also would not be possible without the support of all state agencies that provided GAAP closing data on a timely basis. The future success of this project directly depends upon their continued cooperation and support as well.

Sincerely,

Dick Barclay
Director
Department of Finance and Administration

GREAT SEAL OF THE STATE OF ARKANSAS

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arkansas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

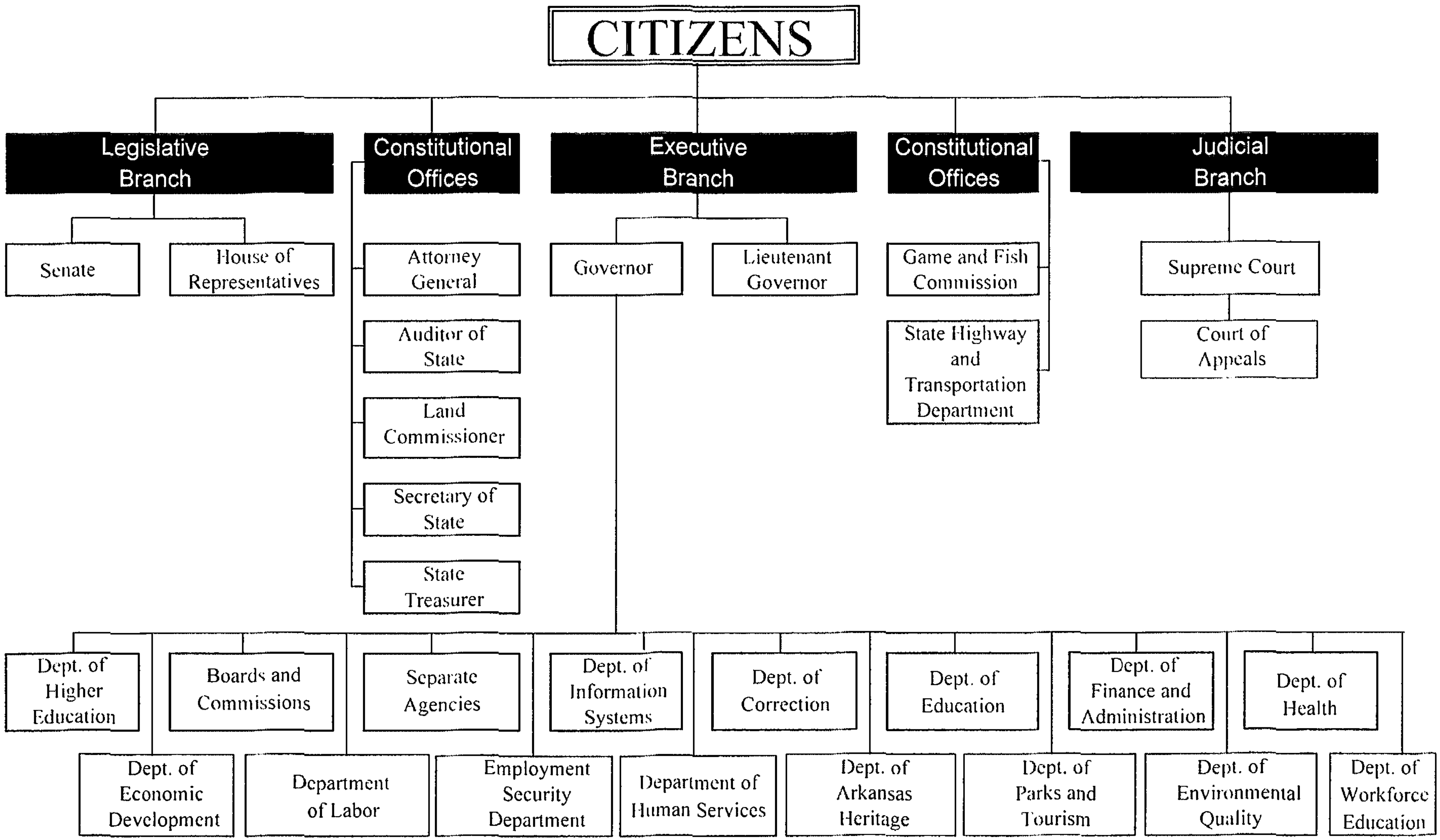
Anne Spray Kinney

President

Jeffrey L. Esser

Executive Director

State of Arkansas
Organizational Chart



FINANCIAL SECTION

University of Arkansas at Pine Bluff research and extension personnel pioneered the first Catfish Yield Verification Program. Combined with interdisciplinary studies and the nation's largest diagnostics program, UAPB's response to industry problems has enabled catfish farmers to increase yields and profits.


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

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INDEPENDENT AUDITORS' REPORT

The Honorable Mike Huckabee, Governor
of the State of Arkansas

We have audited the accompanying general purpose financial statements of the State of Arkansas (the "State"), as of June 30, 2000, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the State. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Arkansas Student Loan Authority, which represent total assets of $232.7 million as of June 30, 2000, and total revenues of $17.9 million for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those activities, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules, listed in the foregoing table of contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the State. These financial statements and schedules are also the responsibility of the management of the State. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, based on our audit and the reports of other auditors, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

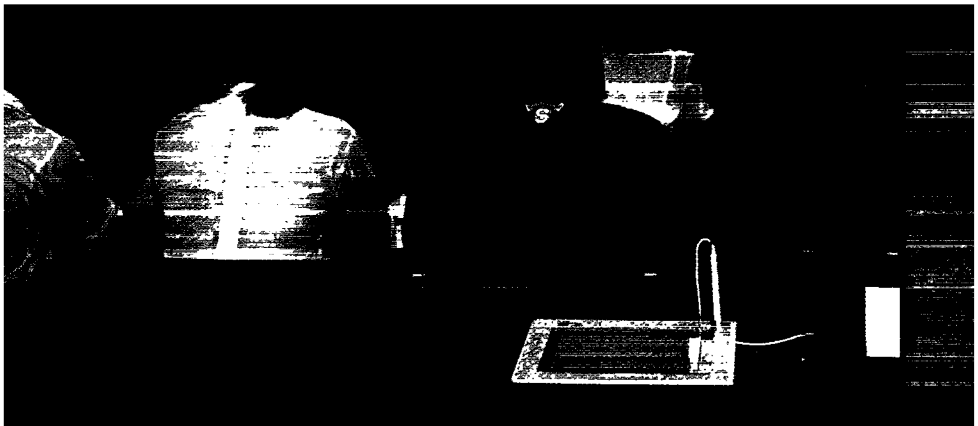
Deloitte
Touche
Tohmatsu

The introductory and statistical data listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State. Such additional information has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

November 17, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS



Interactive video classrooms at Pulaski Technical College's Information Technology Center on the main campus in North Little Rock and Workforce Development Center in Little Rock facilitate distance education for students and central Arkansas companies.

Combined Balance Sheet
All Fund Types, Account Groups and Component Units

June 30, 2000
(Expressed in Thousands)

	Governmental Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	General	Enterprise	Trust and Agency
ASSETS AND OTHER DEBITS:			
Cash and cash equivalents	$1,235,453	$176,339	$ 873,635
Investments	390,858	53,569	14,746,052
Receivables, net:			
Accounts	58,515	8,894	45,223
Taxes	303,140		
Employer			7,348
Employee			6,434
Notes and deposits	32,153		
Medicaid	128,459		
Loans	148,343	179,944	
Investment related	14,505	3,155	320,507
Due from other governments	42,401		3,699
Due from other funds - primary government	1,042		865
Due from other funds - higher education			
Advances to other funds - primary government	15,692		21,857
Inventories	31,702		
Fixed assets, net		3,174	1,607
Other assets		12,061	58
Amount available for debt service			
Amount to be provided for debt retirement			
TOTAL ASSETS AND OTHER DEBITS	$2,402,263	$437,136	$16,027,285
LIABILITIES, EQUITY AND OTHER CREDITS:			
Liabilities:			
Accounts payable	$ 56,767	$ 1,063	$ 1,561
Accrued and other liabilities	59,589	12,804	1,695,880
Deferred revenues	1,225	4,055	
Due to other governments	89,439		1,018
Due to other funds - primary government	16,811		56
Due to other funds - higher education			
Advances from other funds - primary government	21,857		
Workers' compensation benefits payable		170,202	
Medicaid claims payable	167,849		
Tax refunds and abatements payable	63,684		
Claims and judgments payable	11,597		
Agency liabilities			470,885
Capital leases		1,926	
Notes payable			
Revenue bonds payable			
Special obligation bonds payable		114,646	
General long-term debt payable			
Total Liabilities	488,818	304,696	2,169,400
Equity (deficit) and other credits:			
Investment in fixed assets			
Retained earnings (deficit) - unreserved		(2,492)	
Retained earnings - reserved for bond programs			
Contributed capital		134,932	
Fund balances:			
Reserved:			
Loans	148,343		
Advances to other funds	15,692		
Inventory	31,702		
Capital projects	268,425		
Higher education			
Unemployment compensation			274,842
Net assets held in trust for pension benefits			13,583,043
Debt service	37,622		
Unreserved:			
Designated	1,411,661		
Undesignated			
Total Equity and Other Credits	1,913,445	132,440	13,857,885
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	$2,402,263	$437,136	$16,027,285

The accompanying notes are an integral part of the financial statements.

Higher Education Fund Type	Account Groups		Total Primary Government	
Colleges and Universities	Fixed Assets	Long-Term Debt	(Memorandum Only)	Component Units
$ 346,472			$ 2,631,899	$ 160,469
643,880			15,834,359	1,028,135
142,198			254,830	3,044
			303,140	
			7,348	
			6,434	
43,206			75,359	
			128,459	
			328,287	616,129
1,734			339,901	15,165
			46,100	
15,946			17,853	
19,689			19,689	
			37,549	
16,087			47,789	
2,329,539	$1,190,670		3,524,990	371
14,177			26,296	88,865
		$ 37,622	37,622	
		796,823	796,823	
$3,572,928	$1,190,670	$834,445	$24,464,727	$1,912,178
$ 59,610			$ 119,001	$ 12,084
401,402			2,169,675	84,421
14,015			19,295	
			90,457	
986			17,853	
19,689			19,689	
15,692			37,549	
			170,202	
			167,849	
			63,684	
			11,597	
			470,885	
7,232			9,158	
13,843			13,843	
436,319			436,319	214,807
			114,646	1,475,949
		$834,445	834,445	
968,788		834,445	4,766,147	1,787,261
1,950,480	$1,190,670		3,141,150	
			(2,492)	59,703
				65,214
			134,932	
			148,343	
			15,692	
			31,702	
			268,425	
368,547			368,547	
			274,842	
			13,583,043	
			37,622	
			1,411,661	
285,113			285,113	
2,604,140	1,190,670		19,698,580	124,917
$3,572,928	$1,190,670	$834,445	$24,464,727	$1,912,178

Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Fund

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Governmental Fund Type	Fiduciary Fund Type
	General	Expendable Trust
REVENUES:		
Taxes:		
Personal income	$ 1,697,354	
Consumer sales	1,651,341	
Corporate net income	247,247	
Gas and motor carrier	419,979	
Unemployment		$210,088
Other	349,969	
Intergovernmental	2,613,654	
Licenses, permits and fees	481,078	
Investment earnings	102,158	16,419
Other	442,979	
Total Revenues	8,005,759	226,507
EXPENDITURES:		
Current:		
Education	2,098,860	
Health and human resources	2,698,687	
Transportation	622,061	
Law, justice and public safety	333,211	
Recreation and resource development	203,358	
General government	1,025,369	
Regulation of businesses and professionals	161,703	200,537
Debt service	77,244	
Capital outlay	142,227	
Total Expenditures	7,362,720	200,537
Excess of revenues over expenditures	643,039	25,970
OTHER FINANCING SOURCES (USES):		
Proceeds from long-term obligations	198,083	
Proceeds from capital leases	14,069	
Operating transfers in	229	
Operating transfers out	(634,118)	
Total Other Financing Uses	(421,737)	
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	221,302	25,970
FUND BALANCE AT BEGINNING OF YEAR	1,689,793	248,872
Increase in reserve for inventory	2,350	
FUND BALANCE AT END OF YEAR	$ 1,913,445	$274,842

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual-Variance (Budgetary Basis) General Fund

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	General Fund		
	Budget	Actual	Variance Favorable
REVENUES:			
Taxes:			
Personal income	$ 1,712,383	$ 1,712,383	
Consumer sales	1,658,013	1,658,013	
Corporate net income	268,712	268,712	
Gas and motor carrier	417,685	417,685	
Use	557,659	557,659	
Other	844,761	844,761	
Intergovernmental	2,407,923	2,407,923	
Licenses, permits and fees	472,902	472,902	
Investment earnings	92,188	92,188	
Other	290,686	290,686	
Total Revenues	8,722,912	8,722,912	
EXPENDITURES:			
Current:			
Education	2,424,246	2,117,324	$ 306,922
Health and human resources	2,954,825	2,559,460	395,365
Transportation	1,156,365	614,917	541,448
Law, justice and public safety	467,318	354,446	112,872
Recreation and resource development	618,053	214,345	403,708
General government	4,960,536	1,948,585	3,011,951
Regulation of businesses and professionals	254,408	129,270	125,138
Debt service	91,209	35,981	55,228
Capital outlay	600,034	140,050	459,984
Total Expenditures	13,526,994	8,114,378	5,412,616
Excess of revenues over (under) expenditures	(4,804,082)	608,534	5,412,616
OTHER FINANCING SOURCES (USES):			
Operating transfers in	8,818,228	8,818,228	
Operating transfers out	(9,459,436)	(9,459,436)	
Total Other Financing Uses	(641,208)	(641,208)	
REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES	(5,445,290)	(32,674)	5,412,616
FUND BALANCE AT BEGINNING OF YEAR	1,689,793	1,689,793	
FUND BALANCE (DEFICIT) AT END OF YEAR	$ (3,755,497)	$ 1,657,119	$ 5,412,616

The accompanying notes are an integral part of the financial statements.

Combined Statement of Revenues, Expenses and *Changes in Retained Earnings (Deficit)* Proprietary Fund Type and Discretely Presented Component Units

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Proprietary Fund Type	Component Units
	Enterprise	Proprietary Fund
OPERATING REVENUES:		
Licenses, permits and fees	$ 7,709	
Investment earnings	9,790	$105,148
Insurance tax	8,613	
Other	2,111	2,600
Total Operating Revenues	28,223	107,748
OPERATING EXPENSES:		
General and administrative	24,016	19,638
Interest	6,070	96,605
Provision for loan losses	174	
Depreciation	214	
Amortization	360	
Other		5,621
Total Operating Expenses	30,834	121,864
Operating Loss	(2,611)	(14,116)
NON-OPERATING REVENUES (EXPENSES):		
Grants, entitlements, and shared revenues		16,025
Investment earnings	7,286	
Interest	(131)	
Total Non-Operating Revenue	7,155	16,025
Income Before Operating Transfers	4,544	1,909
OPERATING TRANSFERS -		
Operating transfers out	(229)	
NET INCOME	4,315	1,909
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	(6,807)	123,008
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	$ (2,492)	$124,917

The accompanying notes are an integral part of the financial statements.

Combined Statement of Cash Flows
Proprietary Fund Type and Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Proprietary Fund Type	Component Units
	Enterprise	Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	$ (2,611)	$ (14,116)
Adjustments to reconcile operating loss		
to cash provided (used) by operating activities:		
Depreciation, accretion and amortization, net	193	(7,280)
Provision for arbitrage rebate		181
Net depreciation on investments		12,381
Provision for loan loss	174	3,046
Loss on disposal of assets	14	
Changes in operating assets and liabilities:		
Accounts receivable	1,110	519
Loans receivable		878
Investment related receivable	(616)	(3,211)
Other assets	(10)	2,237
Accounts payable and accrued expenses	(1,472)	1,400
Workers' compensation benefits payable	2,083	
Other liabilities	354	12,319
Net Cash Provided (Used) by Operating Activities	(781)	8,354
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers out to other funds	(229)	
Proceeds from issuance of bonds		377,237
Borrower's contribution	190	
Repayment of bonds	(3,536)	(283,592)
Payment of debt issuance costs		(2,319)
Collection of financing fees		795
Interest expense	(131)	
Net Cash Provided (Used) by Non-Capital Financing Activities	(3,706)	92,121
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital lease obligation	(110)	
Proceeds from disposal of fixed assets	2	
Proceeds from grants, entitlements, and shared revenues	8,422	16,025
Acquisition of capital assets	(966)	
Net Cash Provided by Capital and Related Financing Activities	7,348	16,025
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(35,073)	(841,171)
Investment earnings	7,286	
Proceeds from sales and maturities of investments	12,808	724,051
Net increase in short-term investments		(2,175)
Loan disbursements	(16,658)	(55,943)
Principal repayments on loans	7,715	59,738
Capital lease disbursements		(850)
Principal repayments on capital leases		4,381
Net Cash Used by Investing Activities	(23,922)	(111,969)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,061)	4,531
CASH AND CASH EQUIVALENTS:		
Beginning of year	197,400	155,938
End of year	$176,339	$ 160,469

The accompanying notes are an integral part of the financial statements.

Combined Statement of Changes in Plan Net Assets Held in Trust for Pension Benefits
Pension Trust Funds

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Fiduciary Fund Type Pension Trust
ADDITIONS:	
Contributions:	
Employer	$ 296,976
Employee	63,344
Total Contributions	360,320
Investment income:	
Net appreciation in fair value of investments	867,166
Interest	263,477
Dividends	90,863
Real estate operating income	693
Other	69,259
Less investment expense	(102,013)
Net Investment Income	1,189,445
Other additions -	
Miscellaneous revenues	8,956
TOTAL ADDITIONS	1,558,721
DEDUCTIONS:	
Annuity benefits	451,128
Refunds of employee contributions	4,257
Administrative expenses	13,264
Other deductions	252
TOTAL DEDUCTIONS	468,901
NET INCREASE	1,089,820
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT BEGINNING OF YEAR	12,493,223
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT END OF YEAR	$13,583,043

The accompanying notes are an integral part of the financial statements.

GREAT SEAL OF THE STATE OF ARKANSAS

Combined Statement of Changes in Fund Balances
Higher Education Fund Type

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Current Funds			
	Unrestricted	Restricted	Loan	Endowment and Similar
REVENUES AND OTHER ADDITIONS:				
Unrestricted current fund revenues	$ 399,401			
Auxiliary enterprises, hospitals and clinics	511,659			
Gifts and grants		$ 321,215	$ 592	$ 2,653
Investment earnings		520	1,260	5,292
Additions to plant facilities				
Retirement of indebtedness				
Bond proceeds				
Other additions		2,433	1,642	12
Total Revenues and Other Additions	911,060	324,168	3,494	7,957
EXPENDITURES AND OTHER DEDUCTIONS:				
Education and general	937,087	314,343		
Auxiliary enterprises, hospitals and clinics	483,651	585		
Loan cancellations and write-offs			3,222	
Indirect cost recoveries		5,476		
Administration expenses			286	75
Refunded to grantors		353	217	
Retirement of indebtedness				
Expended for plant facilities				
Interest expense				
Issuance of bonds				
Disposal of plant facilities				
Other			10	784
Total Expenditures and Other Deductions	1,420,738	320,757	3,735	859
TRANSFERS AND OTHER ADDITIONS/(DEDUCTIONS):				
Mandatory:				
Principal and interest	(33,318)	(850)		
Matching contribution	(627)	430	197	
Renewals and replacements	(122)			
Other mandatory transfers	(520)	(22)	52	2,839
Non-Mandatory:				
Unexpended plant funds	(17,629)	(28)		(55)
Renewals and replacements	(4,819)	7	(21)	
Retirement of indebtedness	(128)			
Other	(4,165)	(1,850)	(277)	(117)
Operating transfers in - primary government	577,763	757	535	
Total Transfers and Other Additions/(Deductions)	516,435	(1,556)	486	2,667
NET INCREASE FOR THE YEAR	6,757	1,855	245	9,765
FUND BALANCE AT BEGINNING OF THE YEAR	189,548	46,363	50,819	121,576
FUND BALANCE AT END OF THE YEAR	$ 196,305	$ 48,218	$ 51,064	$ 131,341

The accompanying notes are an integral part of the financial statements.

Plant Funds	Total
	$ 399,401
	511,659
$ 35,723	360,183
9,415	16,487
231,227	231,227
44,871	44,871
18,019	18,019
20,749	24,836
360,004	1.606,683
	1,251,430
	484,236
	3,222
	5,476
1.477	1,838
	570
39,040	39,040
174,473	174,473
23,472	23,472
38,135	38,135
23,620	23,620
11,829	12,623
312,046	2,058,135
34,168	
122	
(2,349)	
17,712	
4,833	
128	
6,409	
55,063	634,118
116,086	634,118
164,044	182,666
2,013,168	2,421,474
$ 2,177,212	$ 2,604,140

Combined Statement of Current Funds Revenues, Expenditures, Transfers and Other Changes in Fund Balances Higher Education Fund Type

For the Fiscal Year Ended June 30, 2000 (Expressed in Thousands)

	Current Funds		
	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	$ 231,416		$ 231,416
Federal appropriations		$ 11.165	11,165
Endowment income	800	2,991	3,791
Federal grants and contracts	4.429	178.554	182,983
State and local grants and contracts	*5,063*	*61,306*	*66,369*
Private gifts, grants and contracts	12,596	58,195	70,791
Investment earnings	2,653	132	2,785
Sales and services of educational facilities	48,854	689	49,543
Sales and services of auxiliary enterprises and hospitals	511,659	634	512,293
Insurance	64,157		64,157
Other sources	29,433	677	30.110
Total Current Revenues	911.060	314,343	1.225,403
EXPENDITURES AND MANDATORY TRANSFERS:			
Educational and General:			
Instruction	400,884	35,556	436,440
Research	49.254	72,515	121,769
Public service	38.494	48.018	86,512
Academic support	78,740	13,300	92,040
Student services	43,342	9,479	52,821
Institutional support	128,111	2,349	130,460
Operation and maintenance of plant	84,657	87	84,744
Scholarships and awards	*52,521*	*133.032*	*185.553*
Insurance activity	60,719		60.719
Other expenditures	365	7	372
Educational and General Expenditures	937,087	314.343	1,251,430
Mandatory Transfers for:			
Principal and interest	20.107	651	20.758
Matching requirements	627	(430)	197
Renewals and replacements	3		3
Other mandatory transfers	520	22	542
Total Educational and General	958,344	314,586	1,272,930
Auxiliary Enterprises and Hospitals:			
Expenditures	483,651	585	484,236
Mandatory transfers for:			
Principal and interest	13,211	199	13,410
Renewals and replacements	119		119
Total Auxiliary Enterprises and Hospitals	496,981	784	497.765
Operating Transfers In - Primary Government	577,763	757	578,520
Total Expenditures and Mandatory Transfers	877,562	314,613	1,192,175
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):			
Educational and General Non-Mandatory Transfers for:			
Unexpended plant	(7,477)	(28)	(7,505)
Renewals and replacements	(4.819)	7	(4,812)
Retirement of indebtedness	(128)		(128)
Other non-mandatory transfers	(4.165)	(1,850)	(6,015)
Auxiliary Non-mandatory transfers for - Unexpended plant	(10.152)		(10,152)
Excess of Restricted Receipts Over Transfers to Revenues		3,996	3,996
NET INCREASE IN FUND BALANCES	$ 6,757	$ 1,855	$ 8,612

The accompanying notes are an integral part of the financial statements.

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2000

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying general purpose financial statements of the State of Arkansas (the "State") conform with accounting principles generally accepted in the United States of America ("GAAP") for governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for governmental accounting and financial reporting. In addition, GAAP requires that the State's proprietary activities apply GAAP as it is applied by similar business activities in the private sector. The financial statements of the State's colleges and universities have been prepared in accordance with the accounting guidance as outlined in the American Institute of Certified Public Accountants Industry Audit Guide, *Audits of Colleges and Universities*, the *College and University Business Administration*, published by the National Association of College and University Business Officers ("NACUBO"), and pronouncements issued by the GASB.

The general purpose financial statements have been prepared primarily from accounts maintained by the Department of Finance and Administration and the State Treasurer. Additional data has been derived from the audited financial statements of certain entities and from reports and data prescribed by the Department of Finance and Administration, Office of Accounting. These prescribed reports and data were prepared by various State agencies and departments based on independent or subsidiary accounting records maintained by them.

The Reporting Entity - For financial reporting purposes, the State of Arkansas' primary government includes all funds, account groups, departments and agencies, boards, commissions, and authorities that make up the State's legal entity. The State's reporting entity also is comprised of its component units; legally separate organizations for which the State's elected officials are financially accountable.

Individual Component Unit Disclosures - GAAP defines component units as those entities which are legally separate organizations for which the State's elected officials are financially accountable or other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading and incomplete. GAAP details two methods of presentation: blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the State's balances and transactions; or discrete presentation of the component units' financial data columns separate from the State's balances and transactions.

Blended Component Units - The State has no blended component units.

Discretely Presented Component Units - Discrete component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Arkansas Student Loan Authority ("ASLA") and Arkansas Development Finance Authority ("ADFA") meet the criteria of discretely presented component units because they are legally separate, and the State is financially accountable. The State appoints a voting majority of the organization's governing body and is able to impose its will on ASLA and ADFA. The Component Units column of the combined financial statements include the financial data of the following entities:

> ***Arkansas Student Loan Authority*** - ASLA was established pursuant to Act 873 of 1977, as amended. The purpose of ASLA is to make loans directly to students and purchase qualified student loans from Arkansas lending institutions or loans made by non-Arkansas institutions to Arkansas residents. The students attend qualified Arkansas educational institutions or are Arkansas residents who attend qualified institutions located outside the State of Arkansas.

Governmental and expendable trust funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means expected to be collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. The State's revenue recognition policies conform to the provisions of GASB Statement No. 22, *Accounting for Tax-Payer Assessed Tax Revenues in Governmental Funds*. Significant revenues susceptible to accrual include income, sales, corporation and other taxes, federal grants, federal reimbursements, and other reimbursements for use of materials and services. Revenues from federal grants are recognized when the related expenditures have been incurred. Revenues from other sources are recognized when received. Expenditures are recorded at the time fund liabilities are incurred except (1) inventories generally are recorded as expenditures when purchased, and (2) principal and interest on long-term debt are recorded when paid.

The accrual basis of accounting with a flow of economic resources measurement focus is utilized in the proprietary fund, pension trust funds, higher education fund, and discretely presented component units. Under this accounting basis, revenues are recognized when earned and expenses are recognized when incurred. For the pension trust funds, employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in the Arkansas Code.

The State and the discretely presented component units have adopted the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that Use Proprietary Fund Accounting*. As permitted by the statement, the State has elected not to adopt Financial Accounting Standards Board ("FASB") Statements issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations.

Consistent with current GAAP for public colleges and universities, depreciation on higher education physical or plant assets is not recorded, and revenue and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted.

Agency funds are custodial in nature (assets equal liabilities) and are accounted for on a modified accrual basis of accounting.

Budgetary Basis of Accounting - The State's budget is adopted in accordance with a statutory cash basis of accounting which is not in accordance with GAAP. Revenues are recognized when cash is received and deposited in the State Treasury or reported to the Department of Finance and Administration. Expenditures are recorded when cash is disbursed. If goods or services are not received before year end, all encumbrances lapse, except those appropriations for multi-year projects.

Cash and Cash Equivalents - Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, all certificates of deposit, and all short-term instruments with maturities at purchase of ninety days or less. Short-term investments are stated at fair value, except for agency funds not held for investment purposes which are reported at amortized cost.

Investments - Investments include U.S. Government and government agency obligations, repurchase agreements, state and local government obligations, and corporate debt and equity obligations. Investments are reported at fair value, except for agency fund investments not held for investment purposes, which are reported at amortized cost. The General and Higher Education Fund Investments are stated at fair value as determined by independent quoted market sources.

Investments in the pension trust funds are reported at fair values as determined by the custodial agents. The agents' determination of fair value includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

Realized and unrealized gains and losses on investments are included in investment earnings on the respective operating statements.

The University of Arkansas System (the "System") has established an external investment pool (the "Pool"). The investments in the Pool are governed by the System Investment Policy, which was established by the University of Arkansas Board of Trustees. The Pool is not SEC-registered. Participation in the Pool is voluntary. At June 30, 2000, four universities and two foundations participated in the Pool. These foundations hold 56% or $305 million of the investments in the Pool, which are reported separately along with the related liability in an agency fund. Participation in or withdrawal from the Pool is based on the daily market value of the units within the Pool. Income from the Pool is allocated to the participants in the Pool based on the market value per unit from the previous day. The Pool issues a publicly available financial report, which may be obtained by writing or calling the University of Arkansas System, 2404 North University Avenue, Little Rock, Arkansas, 72207-3608, (501) 686-2500.

Receivables - Receivables in the State's governmental fund consist primarily of taxes, loans, interest and federal grants. The remaining governmental fund revenues are not considered susceptible to accrual prior to receipt. Receivables in all other funds have arisen in the ordinary course of business.

Interfund Transactions - The State has three types of interfund transactions:

- Operating appropriations. These are accounted for as operating transfers in the funds involved.
- Residual equity transfers. These are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from fund equity.
- Quasi-external transactions. Charges or collections for services rendered by one fund to another are recorded as revenues in the receiving fund and expenditures/expenses of the disbursing fund.

Inventories - Inventories of materials and supplies are valued at cost, principally using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when purchased. Inventory balances are recorded as a reserve of fund balance indicating that they do not constitute "available spendable resources."

Fixed Assets - Purchases of general fixed assets of the governmental funds are recorded as expenditures of those funds, with the related assets recorded in the General Fixed Asset Account Group. General fixed assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at fair market value or estimated fair market value at the time of the donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Public domain general fixed assets ("infrastructure"), consisting of roads, bridges, streets, sidewalks, drainage systems and lighting systems, are not capitalized as these assets are immovable and of value only to the government. Assets in the General Fixed Asset Account Group are not depreciated.

Fixed assets held in the enterprise funds and discretely presented component units have been valued in the same manner as the General Fixed Asset Account Group. The fixed assets of these funds are depreciated on a straight-line basis over their estimated useful lives. Buildings are depreciated over various lives, ranging from 20 to 50 years, machinery and equipment 3 to 35 years and vehicles 5 years.

Contributed Capital - The Revolving Loan Funds record contributed capital for federal and state grants used to fund the programs. As grants are received, the State recognizes such grants as direct contributions to equity.

Compensated Absences - The amount of compensated absences to be paid from future resources is reported in the General Long-Term Debt Account Group. Vested or accumulated vacation leave of the proprietary, higher education fund and component units is recorded as an expense and an accrued liability of these funds as the benefits accrue to employees.

Equity - Reserves represent those portions of equity that are not available for appropriation or legally segregated for a specific future use.

Total Columns (Memorandum Only) - Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in accordance with accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Future Adoption of Accounting Pronouncements - The GASB has issued Statement of Governmental Accounting Standards No. 33, *Accounting and Reporting for Nonexchange Transactions*, which the State has not yet adopted. This Statement establishes accounting and financial reporting standards to guide state and local governments' decisions about when to report the results of nonexchange transactions involving cash and other financial and capital resources. The State will be required to implement GASB 33 for the fiscal year ending June 30, 2001.

The GASB has issued Statement of Governmental Accounting Standards No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which the State has not yet adopted. The requirements of this Statement are effective in three phases based on the State's total annual revenues in the first fiscal year ending after June 30, 2000. The State will be required to implement GASB 34 for the fiscal year ending June 30, 2002.

The GASB has issued Statement of Governmental Accounting Standards No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, which the State has not yet adopted. The requirements of this Statement are effective in three phases based on the public institution's total annual revenues in the first fiscal year ending after June 30, 2000. The State will be required to implement GASB 35 for the fiscal year ending June 30, 2002.

NOTE 2: BUDGETARY BASIS REPORTING - BUDGETARY PROCESS

State finance law requires that a balanced budget be approved by the Governor and the General Assembly. The Governor presents an annual budget to the General Assembly which includes an estimate of revenues, expenditures and other financing sources and uses anticipated during the coming biennial period. The General Assembly, which has full authority to amend the budget, adopts a line item budget by appropriating monies in biennial appropriation acts. The State does not adopt a revenue budget but does monitor the revenues and forecast of revenues and makes appropriate revisions to the expenditure budget based on such forecasts. These forecasts are adjusted quarterly to reflect actual receipts of revenues.

Before signing the appropriation act, the Governor may veto any specific item, subject to legislative override. Further changes to the budget established in the biennial appropriation may be made via supplemental appropriation acts or other subsequent legislative acts. These also must be approved by the General Assembly and signed by the Governor and are subject to the line item veto.

The General Assembly also must enact legislation pursuant to the Revenue Stabilization Law (the "Stabilization Law") to provide an allotment process of funding appropriations in order to comply with the state law prohibiting deficit spending. The Governor may restrict spending to a level below appropriations amounts. The State uses specific "internal sub funds" (i.e. general and special revenue allotment accounts) for receipt and distribution of revenues. Pursuant to the Stabilization Law, all receipts are deposited in the General Revenue Allotment Account. From the General Revenue Allotment Account, 3% of all revenues are distributed to the Constitutional Officers Fund and the Central Services Fund to provide support for the State's elected constitutional offices (legislators, executive department and judges), their staffs and the Department of Finance and Administration ("DF&A"). The balance is then distributed to separate funds proportionately as established by the Stabilization Law. Special revenues are deposited into the Special Revenue Allotment Account from which 3% of revenues collected by DF&A and 1 1/2% of all special revenues collected by other agencies are first distributed to provide support for the State's elected officials, their staffs and DF&A. The balance is then distributed to the funds for which the special revenues were collected as provided by law. Special revenues, which are primarily user taxes, are generally earmarked for the program or agency providing the related service.

General revenues are transferred into funds established and maintained by the Treasurer for major programs and agencies of the State in accordance with funding priorities established by the General Assembly.

Pursuant to the Stabilization Law, the General Assembly establishes three levels of priority for general revenue spending levels, "A," "B" and "C". Successive levels of appropriations are funded only in the event sufficient revenues have been generated to fully fund any prior level. Accordingly, appropriations made to programs and agencies are only maximum authorizations to spend. Actual expenditures are limited to the lesser of monies flowing into programs or agencies' funds maintained by the Treasurer or the maximum appropriation by the General Assembly.

Each of these legally adopted internal sub-funds are accounted for on the cash basis. All prior fiscal year unpaid bills or claims that did not have sufficient funds and appropriation at the end of the fiscal year may be submitted by the agency to the Claims Commission. Upon approval of the claims, funds are appropriated in the following biennium to allow for payment, unless the claims are approved during a special session of the legislature.

The majority of the State's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the General Assembly has authorized that an unspent balance from the prior year be carried forward and made available for current spending. In addition, the General Assembly may direct that certain revenues be retained and made available for spending within a specific appropriation account.

The rate of spending of appropriations is controlled by DF&A. DF&A utilizes quarterly allotments which restrict spending to a certain percentage of the annual appropriation. The percentage is established to coincide with the expected actual rate of revenue collections, thereby ensuring adequate cash flow throughout the year.

DF&A has the responsibility to ensure that budgetary spending control is maintained on an individual appropriation classification basis. Appropriation classifications are subdivisions of appropriations, which define the purposes for which the appropriation can be used, and restrict the amount of expenditures for the various classifications to amounts established in the appropriation acts. Appropriation classifications may include regular salaries, extra help, over-time, maintenance and general operation, personal services

matching, conference and travel expenses, professional fees, capital outlay, data processing, grants assistance and special aid, construction and permanent improvements, and other special classifications. Budgetary control is maintained through the Arkansas Accounting Federal Grants Management System ("AFGM"). AFGM ensures that expenditures are not processed if they exceed the appropriation classification total available spending authorization, which is considered its budget. Generally, expenditures may not exceed the level of spending authorized. However, Arkansas law authorizes DF&A to transfer specific holding appropriations when other sources of funding are received, such as a federal grant.

An AFGM report, internally identified as AFGM R5901, is used by DF&A to monitor spending against budget. This report provides information at the individual appropriation line item level, which is the legal level of budgetary control, and is available from DF&A. For financial reporting, the State groups these appropriation account categories by function to conform to its organizational structure.

The State uses the General Fund to summarize the internal sub-funds, which represent accounts or activities that have been legally appropriated.

The following is a reconciliation of the statutory cash basis revenues and other sources under expenditures and other uses of the General Fund to the GAAP basis excess of revenues and other sources over expenditures and other uses presented in the financial statements (expressed in thousands):

Revenues and other sources under expenditures and other uses (statutory basis)	$ (32,674)
Non-appropriated excess of revenues and other sources over expenditures and other uses	15,916
Basis of accounting differences	238,060
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	$221,302

No supplemental appropriations were required during the fiscal year ended June 30, 2000.

NOTE 3: DEPOSITS AND INVESTMENTS

Cash

Arkansas Code requires that all cash fund agencies, other than the institutions of Higher Education, abide by the cash management and investments standards and procedures promulgated by the State Board of Finance. The stated primary goal of State cash management is the protection of principal, while maximizing investment earnings and minimizing non-interest bearing balances.

Cash and cash equivalents are defined as short-term highly liquid investments with original maturities of ninety days or less. The reported amount of total deposits at June 30, 2000, is as follows (expressed in thousands):

	Primary Government	Component Units
Reported amount of deposits	$ 933,813	$ 8,517
Bank balance of deposits	1,180,717	9,358
Amount insured or collateralized with securities held by the State or its agent in the State's name	1,034,647	5,758
Amount collateralized with securities held by the pledging financial institution's trust department or agent in the State's name	83,117	
Uncollateralized, or collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the State's name	62,953	3,600

The following schedule reconciles the reported amount of deposits as disclosed above to the combined balance sheet (expressed in thousands):

	Primary Government	Component Units
Reported amount of deposits	$ 933,813	$ 8,517
Cash on hand	1,410	
Undeposited receipts	21,173	
Cash held at U.S. Treasury	277,003	
Investments disclosed as cash equivalents for GASB 3	(6,000)	(1,295)
Cash equivalents disclosed as investments for GASB 3	1,404,500	153,247
Cash and cash equivalents as reported on the combined balance sheet	$2,631,899	$ 160,469

Investments

State funds are invested by the Treasurer, as well as various state agencies, including the Retirement Systems, institutions of Higher Education, and Discretely Presented Component Units. Permissible investments include those guaranteed by the United States of America, its agencies, and instrumentalities (U.S. Government obligations); repurchase agreements; corporate debt and equity obligations; and state and local government securities.

Purchased and donated investments are generally stated at fair value, while investments held in an agency capacity and not for investment purposes are reported at amortized cost. In accordance with Statement No. 3 of the GASB, the State's investments are categorized to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the State's name.

Primary Government -

Investments for the Primary Government at June 30, 2000, by security type and level of risk, are as follows (expressed in thousands):

	Category				
Security Type	**1**	**2**	**3**	**Reported Amount**	**Fair Value**
Categorized:					
U.S. Government securities	$ 2.343.067	$ 23.698	$ 236.213	$ 2.602.978	$ 2,612,736
Corporate securities	7,778,830	1.179	384.757	8.164,766	8,164.985
International securities	1.538.396		35.282	1.573,678	1,573,678
Repurchase agreements	68,000		87,368	155.368	155,368
Bank obligations			91.949	91,949	91,949
State and local government securities	33,143			33,143	33,830
Commercial paper	109.328	253		109.581	109,581
Other categorized	755	17.821		18,576	18,576
Total Investments Categorized by Security Type	$ 11.871,519	$ 42,951	$ 835.569	12,750.039	12,760.703
Uncategorized:					
Mutual funds				1,208.259	1.208.259
Securities lent for cash collateral				1.129,215	1.129.215
Mortgage obligations				172.078	172.078
Real estate				55.902	55,902
Limited partnership investment				1.000,562	1.000.562
Private placements				19.341	19,341
External investment pool				696.316	696,316
Guaranteed investment contracts				198.744	198,744
Other investments				2.403	2,403
Total				$ 17.232.859	$ 17.243,523

The following schedule reconciles the carrying amount of investments as disclosed above to the combined balance sheet (expressed in thousands):

Reported amount of investments	$ 17.232,859
Investments disclosed as cash equivalents for GASB 3	6,000
Cash equivalents disclosed as investments for GASB 3	(1,404,500)
Investments as reported on the combined balance sheet	$ 15,834,359

Component Units -

Investments for the Discretely Presented Component Units at June 30, 2000, by security type and level of risk, are as follows (expressed in thousands):

Security Type	Category 1	Category 2	Category 3	Reported Amount	Fair Value
Categorized:					
U.S. Government agency obligations	$737,545		$8,379	$ 745,924	$ 745,924
Commercial paper	253			253	253
Repurchase agreements	7,774			7,774	7,774
Total Investments Categorized by Security Type	$745,572		$8,379	753,951	753,951
Uncategorized:					
Investment agreements				271,938	271,938
Mutual funds				154,198	154,198
Total				$1,180,087	$1,180,087

The following schedule reconciles the carrying amount of investments as disclosed above to the combined balance sheet (expressed in thousands):

Reported amount of investments	$ 1,180,087
Investments disclosed as cash equivalents for GASB 3	1,295
Cash equivalents disclosed as investments for GASB 3	(153,247)
Investments as reported on the combined balance sheet	$ 1,028,135

NOTE 4: DERIVATIVES

Primary Government -

Forward Currency Contracts

Arkansas Public Employees Retirement System ("APERS") and Arkansas Teacher Retirement System ("Teacher") enter into forward-exchange contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency related to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates, and the changes in the value of open contracts are recognized as unrealized appreciation/depreciation in the statement of changes in plan net assets. The realized gain or loss on closed forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in net realized gain or loss on forward currency contracts in the statement of changes in plan net assets. At June 30, 2000, the retirement systems referred to above were party to outstanding forward exchange currency contracts to purchase foreign currencies with contract amounts of $245.3 million, collectively. Market values of these outstanding contracts were $244.5 million resulting in an unrealized net loss of approximately $.8 million. The retirement systems also had outstanding forward currency contracts to sell foreign currency with contract amounts of $271.4 million at June 30, 2000. Market values of these contracts were $270.6 million resulting in an unrealized net gain of approximately $.8 million.

Mortgage-Backed Securities

APERS, Teacher, and Arkansas State Highway Employees Retirement System ("ASHERS"), invest in various asset-backed securities, mortgage-backed securities, and structured corporate debt. These securities are reported at fair value in the balance sheet. They are also included in the totals of government securities and corporate securities, depending on the issuer, in the disclosure of custodial credit risk (see Note 3 on Deposits and Investments). The retirement systems referred to above invest in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and the market value of the underlying assets.

Component Units -

Mortgage-Backed Securities

ADFA invests in various asset and mortgage-backed securities. These securities are reported at fair value in the combined balance sheet. They are also included in the totals of U.S. Government and Agency securities in the disclosure of custodial credit risk. ADFA invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and the market value of the underlying assets.

Interest Rate Swaps

ADFA has entered into an interest rate swap agreement to effectively convert $10 million of variable rate debt based on the 3-month LIBOR to fixed rate debt with an effective fixed rate of 7.698%. ADFA is exposed to interest rate risk under the swap agreement if the 3-month LIBOR rate is less than 7.418%. The interest rate swap agreement is set to expire January 2, 2014.

ASLA has entered into an interest rate swap agreement to effectively convert $32.7 million of fixed rate debt to variable rate debt with a weighted average interest rate based on the PSA Municipal Swap Index. The effective interest rate of the debt was 5.3% for the period ended June 30, 2000. The differential to be paid or received on the interest rate swap is accrued as interest rates change and is charged or credited to interest expense over the life of the agreement. ASLA's credit risk related to this interest rate swap agreement is generally the differential, if any, payable by the counterparty which accumulated prior to the June 1 and December 1 settlement dates each year. ASLA is exposed to interest rate risk under the swap agreement and will incur interest expense above the related bond interest rates if the weighted PSA Municipal Swap Index rate exceeds 4.84%. The related PSA Municipal Swap Index rate was 4.16% at June 30, 2000. The interest rate swap agreement is set to expire June 1, 2003.

NOTE 5: SECURITIES LENDING ARRANGEMENTS

State Police, Teacher, and APERS participate in security lending programs, as authorized by Arkansas Code Annotated Title 24, Chapter 3, Subchapter 4, Section 12, whereby investment securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash and cash equivalents or other securities guaranteed by the U.S. Government or an agency thereof equal to at least 100% of the full market value of the security loaned. At all times during the term of each loan, the total value of the collateral is not to be less than 95% of the full market value of all securities on loan. The program is administered by custodial agent banks. The code does not specify the types of securities that may be loaned. The type of securities on loan at June 30, 2000, includes domestic and international equities, domestic and international corporate fixed income securities, U.S. Treasury securities, government agency securities and non U.S. sovereigns. Securities on loan at fiscal year end for cash collateral are uncategorized in the preceding summary of deposits and investments (Note 3); securities on loan for non-cash collateral are classified by category of custodial credit risk based on the categorization appropriate for the collateral. With the exception of cash collateral, the pensions do not have the ability to pledge or sell the collateral unless there is borrower default. The pensions invest cash collateral received; accordingly, investments made with cash collateral received appear as assets on the Statement of Plan Net Assets and Combined Balance Sheet. As

the pensions must return the cash collateral to the borrower upon expiration of the loan, a corresponding liability is recorded in accrued and other liabilities. At June 30, 2000, cash collateral and investments made with cash collateral was approximately $1.16 billion. These securities have also been classified in the preceding summary of deposits and investments (see Note 3). The weighted average maturity of collateral investments generally does not match the maturity of the loans. The custodial agents provide the pensions with an indemnification if an insolvency causes the borrower to fail to return the securities lent. However, in the history of the pensions' participation in such programs, no losses resulting from default have occurred. Total securities on loan at June 30, 2000, was $1.14 billion and total collateral received for these securities on loan was $1.17 billion. At June 30, 2000, the pension systems have no credit risk exposure to borrowers because the amounts the pension systems owe the borrowers exceed the amounts the borrowers owe the pension systems.

NOTE 6: SHORT SALES OF SECURITIES

Teacher participates in short sales of securities, as allowed under the prudent investor rule as set forth by Arkansas Code Annotated Title 24, Chapter 3, Subchapter 4, Section 17, whereby investment securities are borrowed and sold in anticipation of a price decline. If the price declines, the short seller generates a gain and closes out the short position with a purchase of like securities at a cost that is less than the obligation created by the initial borrowing. Because short sale borrowings represent obligations to deliver securities, they are not investments. The code does not specify the types of securities that can participate in such sales. Short sale obligations generally are marked-to-market and are recorded as a liability as of June 30, 2000, at a fair value of $130.4 million. The short sale transactions are administered by a custodial agent bank.

NOTE 7: RECEIVABLES

Receivables at June 30, 2000, consisted of the following (expressed in thousands):

Primary Government -

	Accounts	Taxes	Employer	Employee	Notes and Deposits	Medicaid	Loans	Investment Related	Allowance for Uncollectibles	Net Receivable by Fund Type
General Fund	$106,882	$303,140			$32,153	$128,459	$164,448	$ 14,505	$ (64,470)	$ 685,115
Enterprise Funds	8,894						179,944	3,155		191,993
Trust and Agency Funds	64,841		$7,348	$6,434				320,507	(19,618)	379,512
Higher Education Fund	610,107				48,009			1,734	(472,712)	187,138
Total	$790,723	$303,140	$7,348	$6,434	$80,162	$128,459	$344,392	$ 339,901	$ (556,800)	$ 1,443,758

Component Units -

	Accounts	Loans	Investment Related	Allowance for Uncollectibles	Net Receivable by Component Unit
ASLA		$ 196,289	$ 4,076	$ (1,725)	$ 198,640
ADFA	$ 3,044	426,898	11,089	(5,333)	435,698
Total	$ 3,044	$ 623,187	$ 15,165	$ (7,058)	$ 634,338

NOTE 8: INTERGOVERNMENTAL ACTIVITY (expressed in thousands)

Interfund Receivables and Payables

	Due from	Due to
General Fund	$ 1,042	$ 16,811
Trust and Agency Funds -		
Expendable Trust	865	
Agency Funds		56
Higher Education Fund -		
Current Funds	15,946	986
Total	$ 17,853	$ 17,853

Intrafund Receivables and Payables

	Due from	Due to
Higher Education Fund:		
Current funds	$ 7,468	$ 16,416
Loan		300
Endowment and similar	146	900
Plant	12,054	2,000
Agency	21	73
Total	$ 19,689	$ 19,689

Advances to/from Other Funds - Primary Government

	Advances to	Advances from
General Fund	$ 15,692	$ 21,857
Trust and Agency Funds -		
Pension Trust - Teacher	21,857	
Higher Education Fund -		
Plant Fund		15,692
Total	$ 37,549	$ 37,549

Operating Transfers

	Operating Transfers In	Operating Transfers Out
General Fund	$ 229	$634,118
Enterprise Fund -		
Workers' Compensation Commission		229
Higher Education Fund:		
Current Funds	578,520	
Loan Fund	535	
Plant Fund	55,063	
Total	$634,347	$634,347

NOTE 9: FIXED ASSETS

Primary Government -

Changes in general fixed assets were as follows (expressed in thousands):

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Land	$ 169,519	$ 13,708	$ 20	$ 183,207
Buildings	624,383	24,456	348	648,491
Equipment	220,963	31,578	7,408	245,133
Construction in progress	70,625	62,125	18,911	113,839
Total	$1,085,490	$131,867	$26,687	$1,190,670

At June 30, 2000, fixed assets by category in other funds consisted of the following amounts:

	Enterprise Funds	Pension Trust Funds	Higher Education Fund
Land	$ 831		$ 124,729
Buildings	2,034		1,364,316
Equipment	1,768	$ 2,525	569,022
Construction in progress			215,954
Other	158		55,518
Subtotal	4,791	2,525	2,329,539
Less: Accumulated Depreciation	(1,617)	(918)	
Total	$ 3,174	$ 1,607	$2,329,539

Component Units -

At June 30, 2000, fixed assets reported in the State's discretely presented component units consisted of the following amounts:

Equipment	$ 902
Less: Accumulated Depreciation	(531)
Total	$ 371

NOTE 10: SUMMARY OF LONG-TERM DEBT

The State records its long-term liabilities in the General Long-Term Debt Account Group. These liabilities include general obligation bonds, special obligations bonds, notes payable to component units, other debt instruments, capital leases, capital leases with component units, claims and judgments payable in future years, accrued compensated absences, and net pension obligation.

The following schedule shows the changes in the General Long-Term Debt Account Group for the year ended June 30, 2000 (expressed in thousands):

	Balance July 1, 1999	Debt Issued	Debt Paid	Other Changes	Balance June 30, 2000
Bonds:					
General obligation	$388,336	$175,000	$28,247	$11,083	$546,172
Special obligation	3,930	3,500	2,850		4,580
Other debt instruments	7,142		2,842		4,300
Notes payable to component unit	27,179	$ 19,583	1,990		44,772
Capital leases	26,292	2,824	5,185		23,931
Capital leases with component unit	71,107	11,245	13,721		68,631
Claims and judgments	91,869			(19,364)	72,505
Compensated absences	61,806			3,157	64,963
Net pension obligation	5,209			(618)	4,591
Total	$682,870	$212,152	$54,835	$ (5,742)	$834,445

Primary Government -

Governmental Fund Type Operations

General Obligation Bonds - The Constitution of the State does not limit the amount of general obligation bonds which may be issued by the State; however, no such bonds may be issued unless approved by the voters of the State at a general election or a special election held for that purpose.

General obligation bonds outstanding at June 30, 2000, including accrued accreted interest of approximately $54 million on capital appreciation bonds, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %	Balance
Federal Highway Grant Anticipation and Tax Revenue Bonds:			
2000A Series Federal Highway G. O. Bonds	2011	5.25 - 5.50	$ 175,000
Soil and Water Conservation Bonds:			
1992A Series Water Resources G.O. Bonds	2021	5.40 - 6.38	14,900
1995A Series Water Resources G.O. Bonds	2024	4.60 - 5.60	4,750
1995B Series Water Resources G.O. Bonds	2025	4.20 - 5.75	6,785
1996A Series Water Resources G.O. Bonds	2017	4.50 - 5.38	10,669
1996B Series Water Resources G.O. Bonds	2025	4.70 - 5.85	7,035
1997A Series Water Resources G.O. Bonds	2026	4.50 - 5.70	14,265
1997B Series Water Resources G.O. Bonds	2026	4.00 - 5.25	13,920
1998 Series Water Resources G.O. Bonds	2027	4.50 - 4.88	9,610
1992B Series Waste Disposal G.O. Bonds	2020	5.00 - 6.25	8,695
1994A Series Waste Disposal G.O. Bonds	2008	4.65 - 5.50	6,960
1995A Series Waste Disposal G.O. Bonds	2025	4.10 - 5.50	2,285
1996A Series Waste Disposal G.O. Bonds	2025	5.10 - 5.63	4,690
1997A Series Waste Disposal G.O. Bonds	2026	4.00 - 5.25	4,735
1998A Series Waste Disposal G.O. Bonds	2027	4.50 - 5.05	9,695
College Savings Bonds:			
1991A Series, G.O. Bonds	2011	6.30 - 7.00	15,664
1991B Series, G.O. Bonds	2012	6.35 - 7.00	23,453
1991C Series, G.O. Bonds	2013	6.10 - 6.90	14,828
1993 Series, G.O. Bonds	2014	5.00 - 5.95	17,778
1995 Series, G.O. Bonds	2015	4.20 - 5.90	20,494
1996A Series, G.O. Bonds	2016	4.00 - 5.65	22,406
1996B Series, G.O. Bonds	2016	4.55 - 6.30	16,241
1996C Series, G.O. Bonds	2016	4.30 - 6.00	26,654
1997A Series, G.O. Bonds	2017	4.60 - 6.05	28,274
1997B Series, G.O. Bonds	2017	4.10 - 5.60	27,197
1998A Series, G.O. Bonds	2017	4.00 - 5.35	39,189
Total			$546,172

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2000, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
2001	$ 17,078	$ 18,858	$ 35,936
2002	18,496	24,485	42,981
2003	17,794	25,183	42,977
2004	17,604	26,210	43,814
2005	39,062	26,043	65,105
Thereafter	382,126	244,303	626,429
Total	$492,160	$365,082	$857,242

Details of general obligation bonds outstanding are as follows:

Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds - Act 1027 of 1999 and a statewide election conducted June 15, 1999, authorized the State to issue Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds. All bonds issued under the authority of this act are general obligations of the State and are secured by irrevocable pledge of the full faith, credit, and resources of the State. The act limited the total principal amount to $575 million to be issued in several series of various principal amounts. The bonds were issued to pay the cost of constructing and renovating improvements to interstate highways and related facilities in the State of Arkansas. The bonds are payable primarily by revenues derived from the tax on diesel fuel at the rate of 4¢ per gallon.

State Water Resources Development General Obligation Bonds - Act 496 of 1981, as amended, authorized the Soil and Water Conservation Commission to issue State Water Resources Development General Obligation Bonds. All bonds issued under the authority of this Act are general obligations of the State of Arkansas and are secured by an irrevocable pledge of the full faith. credit, and resources of the State. The act limited the total principal amount to $100 million with no more than $15 million being issued during any fiscal biennium unless the General Assembly by law authorizes a greater amount to be issued. The bonds were issued to provide financing for the development of water resources projects in the State of Arkansas approved and implemented by the Arkansas Soil and Water Conservation Commission with the exception of the portion of the Series 1992A and the Series 1996A bonds. A portion of the Series 1992A bonds were issued to refund the outstanding principal amount of the Water Series 1985 bonds. The Series 1996A bonds were issued to defease the outstanding principal of the Water Series 1989A bonds. The bonds are payable from the general revenues of the State, any repayments on project loans and investment earnings on the proceeds of the bonds.

State Waste Disposal and Pollution Abatement Facilities General Obligation Bonds - Act 686 of 1987, as amended, authorized the State to issue Waste Disposal and Pollution Abatement Facilities General Obligation Bonds. All bonds issued under the authority of this act are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The act limited the total principal amount to $250 million with no more than $50 million being issued during any fiscal biennium unless the General Assembly by law authorizes a greater amount to be issued. The bonds were issued to provide financing for the development of waste disposal and pollution abatement facilities projects in the State of Arkansas with the exception of the Series 1992B and 1994A bonds which were issued to refund the outstanding principal amount of Waste Series 1990A and 1992A bonds, respectively. The bonds are payable from the general revenues of the State, any repayments on project loans and investment earnings on the proceeds of the bonds.

College Savings General Obligation Bonds - Act 683 of 1989, as amended, authorized the State to issue College Savings General Obligation Bonds. All bonds issued under the authority of this act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The act provides that no more than $100 million may be issued in any fiscal biennium unless the General Assembly of the State shall, by law, authorize a greater principal amount thereof to be issued. The College Series bonds were issued to provide funds to finance capital improvements projects at State institutions of higher education. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds.

Special Obligation Bonds - Special obligation bonds are issued by various state departments, agencies, and authorities which are part of the primary government. Special obligation bonds are issued pursuant to specific statutory provisions enacted by the Legislature. Principal and interest payments are made from specifically dedicated fees and other revenues generated by the appropriate program. Special obligation bonds do not constitute general debt of the State.

Special obligation bonds outstanding at June 30, 2000, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate(s) %	Balance
Vocational and Technical Education - Capital Improvement - 1992 A Series	2012	5.80 - 6.38	$1,080
War Memorial Stadium Commission - Revenue Improvement Bonds - 1999 Series	2004	5.00	3,500
Total			$4,580

Future amounts required to pay principal and interest on special obligation bonds at June 30, 2000, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
2001	$ 880	$ 222	$1,102
2002	930	176	1,106
2003	975	128	1,103
2004	1,025	77	1,102
2005	90	49	139
Thereafter	680	163	843
Total	$4,580	$ 815	$5,395

Details of special obligation bonds outstanding are as follows:

Vocational and Technical Education - The capital improvement revenue bonds were issued under the authority of Act 6 of the First Extraordinary Session of 1968, as amended. The bonds are special obligations of the Department of Workforce Education and are payable from and secured solely by pledged revenues and investment earnings on the proceeds of the bonds. The proceeds from the sale of the bonds were used to finance various capital improvements at vocational technical schools.

War Memorial Stadium Commission - The War Memorial Stadium Commission Stadium Improvement Revenue Bonds Series 1999, dated December 15, 1999, in the amount of $3.5 million were issued under the provisions of Amendment 65 to the Constitution of the State of Arkansas and Arkansas Code Annotated Sections 22-3-1001 *et seq.* for the purpose of financing the cost of acquiring, constructing, and equipping betterments and improvements to War Memorial Stadium located in Little Rock, Arkansas, and paying costs of issuing the bonds. The bonds are payable from net revenues derived by the Commission from the operation of the Stadium.

Other Debt Instruments - Other debt instruments are similar to special obligation bonds in regard to the methods of issuance and the sources of repayment of principal and interest.

Other debt instruments outstanding at June 30, 2000, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate(s) %	Balance
Certificates of Indebtedness:			
State Building Services - 1984 Issue "A"	2004	8.50	$ 944
State Building Services - 1984 Issue "C"	2004	8.50	2,295
State Building Services - 1985 Issue "D"	2004	8.50	969
State Building Services - 1986 Issue "E"	2004	8.50	92
Total			$4,300

Future amounts required to pay principal and interest on other debt instruments at June 30, 2000, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
2001	$ 947	$ 325	$1,272
2002	1,028	241	1,269
2003	1,115	150	1,265
2004	1,210	51	1,261
Total	$4,300	$ 767	$5,067

Details of other debt instruments are as follows:

State Building Services - Act 458 of 1983 authorized State Building Services to issue certificates of indebtedness designated as State Building Services Certificates of Indebtedness. These certificates of indebtedness are special obligations secured solely by a lien on and pledge of specific pledged revenues. The Act limited the total principal amount to $25 million. The proceeds of the sale of certificates of indebtedness were used to construct facilities for the Department of Correction and to construct and equip facilities at State supported institutions of higher education. Debt service requirements are met by certain pledged revenues.

Notes Payable to Component Units - Notes payable to component units consist of notes issued to ADFA for construction and renovation of various State agency facilities. Principal and interest payments are made from specifically dedicated fees and other revenue sources.

Future amounts required to pay principal and interest on notes payable to component units at June 30, 2000, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
2001	$ 3,030	$ 3,881	$ 6,911
2002	3,145	5,106	8,251
2003	3,295	4,960	8,255
2004	3,455	4,799	8,254
2005	3,665	4,629	8,294
Thereafter	28,182	42,847	71,030
Total	$ 44,772	$66,222	$110,995

Proprietary Fund

Construction Assistance Revolving Loan Fund (the "Fund") - ADFA issues special obligation bonds on behalf of the Fund. The Fund uses the proceeds to support operations. The Fund is responsible for providing a perpetual fund for financing the construction of waste water treatment facilities for municipalities and other public entities. The bonds are payable solely from loan repayments, interest on investments, and financing fees generated by the Fund. The State is not obligated to pay the bonds, and neither the faith and credit nor the taxing power of the State is pledged to the payment of principal or redemption price or interest on the bonds.

Future amounts required to pay principal and interest on the special obligation bonds at June 30, 2000, were as follows (expressed in thousands). The principal amount shown differs from the amount on the combined balance sheet due to unamortized discounts of approximately $1.2 million:

	Principal	Interest	Total
Year Ending June 30:			
2001	$ 3,705	$ 5,918	$ 9,623
2002	4,225	5,738	9,963
2003	4,690	5,532	10,222
2004	4,930	5,304	10,234
2005	5,210	5,059	10,269
Thereafter	93,080	35,601	128,681
Total	$115,840	$63,152	$178,992

Higher Education Fund

Colleges and Universities - The Boards of Trustees of State-supported colleges and universities are authorized to issue revenue bonds and notes for the purpose of financing all or part of the acquisition of land, the construction or renovation of buildings and the acquisition of furnishings or equipment for any such buildings of all State colleges and universities. The bonds, which are not general debt of the State, are payable from student tuition and other fees.

At June 30, 2000, college and university revenue bonds and notes payable outstanding were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate(s) %	Balance
Henderson State University	2019	3.00 - 8.00	$ 14,072
Southern Arkansas University - Magnolia	2014	3.50 - 6.00	5,163
Southern Arkansas University Tech - Camden	2015	5.15 - 5.54	710
Arkansas State University - Beebe	2023	3.00 - 6.94	5,422
Arkansas State University - Jonesboro	2025	3.00 - 7.50	44,074
Arkansas State University - Mountain Home	2019	4.80 - 5.85	7,854
Arkansas Tech University	2030	3.75 - 6.375	11,177
University of Arkansas at Fayetteville	2022	variable	85,447
University of Arkansas at Little Rock	2014	3.00 - 6.50	28,177
University of Arkansas for Medical Sciences	2019	2.50 - 11.00	90,437
University of Arkansas at Monticello	2018	variable	5,636
University of Arkansas at Pine Bluff	2027	3.625 - 7.00	11,061
University of Central Arkansas	2031	3.00 - 8.00	52,467
University of Arkansas at Hope Community College	2021	5.00 - 5.75	7,645
University of Arkansas Community College at Batesville	2018	variable	3,870
East Arkansas Community College	2012	3.50 - 6.00	1,765
Garland County Community College	2017	3.50 - 4.50	3,695
Mid-South Technical College	2019	4.40 - 5.36	10,415
Mississippi County Community College	2018	5.40 - 6.00	3,210
North Arkansas Community Technical College	2016	4.10 - 6.00	2,915
Phillips Community College of the University of Arkansas	2017	3.90 - 8.00	6,170
Rich Mountain Community College	2005	3.60 - 5.30	440
Westark College	2029	4.00	36,785
Northwest Arkansas Community College	2012	5.60	4,370
Cossatot Technical College	2003	5.44	190
Petit Jean College	2017	4.88	2,500
Pulaski Technical College	2018	variable	4,495
Total			$450,162

Future amounts required to pay principal and interest on college and university revenue bonds and notes payable as of June 30, 2000, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
2001	$ 22,159	$ 17,184	$ 39,343
2002	21,908	16,492	38,400
2003	22,189	15,722	37,911
2004	21,332	14,969	36,301
2005	21,545	14,200	35,745
Thereafter	341,029	127,882	468,911
Total	$450,162	$206,449	$656,611

Component Units -

Arkansas Student Loan Authority - Revenue bonds are issued by ASLA pursuant to Act 873 of 1977 to make loans directly to students and purchase qualified student loans from Arkansas lending institutions or loans made by non-Arkansas institutions to Arkansas residents. Principal and interest payments are made from specifically dedicated revenues generated by ASLA. Revenue bonds do not constitute general debt of the State.

Revenue bonds outstanding at June 30, 2000, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate(s) %	Balance
Student Loan Revenue Bonds, Series 1991	2002	4.75 - 7.15	$ 450
Student Loan Revenue Bonds, Series 1992A-1	2006	5.25 - 6.40	40,820
Student Loan Revenue Bonds, Series 1992A-2	2006	6.13 - 6.75	4,695
Student Loan Revenue Bonds, Series 1993A-1	2006	5.00 - 6.13	3,420
Student Loan Revenue Bonds, Series 1994A	2009	adjustable	53,400
Student Loan Revenue Bonds, Series 1994B	2009	7.25	6,600
Student Loan Revenue Refunding Bonds, Series 1996A	2010	adjustable	42,900
Student Loan Revenue Refunding Bonds, Series 1996B	2010	6.25	14,000
Student Loan Revenue Bonds, Series 1997A	2014	adjustable	31,150
Student Loan Revenue Refunding Bonds, Series 1997B Revenue Bonds	2014	5.10 - 5.60	17,400
Total			$214,835

Future amounts required to pay principal and interest on revenue bonds at June 30, 2000, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
2001	$ 17,655	$ 10,786	$ 28,441
2002	13,340	9,825	23,165
2003	6,860	9,089	15,949
2004	3,620	8,817	12,437
2005	2,400	8,815	11,215
Thereafter	170,960	47,946	218,906
Total	$214,835	$ 95,278	$310,113

Revenue Bonds are reflected in the financial statements net of approximately $28 thousand of discounts.

Arkansas Development Finance Authority - Pursuant to Act 1062, ADFA is authorized and empowered to issue bonds and various other debt instruments for the purpose of financing qualified agricultural business enterprises, capital improvement facilities, educational facilities, health care facilities, housing developments and industrial enterprises.

Bonds and other debt instruments issued by ADFA are special obligations of ADFA payable solely from and collateralized by a first lien on the proceeds, monies, revenues, rights, interests, and collections pledged therefore under the resolutions authorizing the particular issues. The State is not obligated to pay the bonds and other debt instruments, and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal or redemption price of or interest on the bonds and other debt instruments. ADFA has no taxing power.

Bonds payable at June 30, 2000, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %	Balance
Single Family Bonds Payable	2032	3.50 - 10.00	$ 971,392
Multi-Family Bonds Payable	2027	3.50 - 9.75	196,855
Development Finance Programs Bonds Payable	2029	3.25 - 10.00	307,893
Total			$1,476,140

Future amounts required to pay principal and interest on ADFA debt at June 30, 2000, were as follows (expressed in thousands). The principal amount shown differs from the amount on the balance sheet due to unamortized discounts of $191 thousand:

	Principal	Interest	Total
Year Ending June 30:			
2001	$ 105,170	$ 84,735	$ 189,905
2002	43,118	83,446	126,564
2003	45,406	80,614	126,020
2004	49,694	77.609	127,303
2005	49,335	74,373	123,708
Thereafter	1,183,417	885,867	2,069,284
Total	$1,476,140	$1,286,644	$2,762,784

Prior Defeasances

Primary Government -

In prior years, the State defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $117 million are considered defeased at June 30, 2000.

Component Units -

In prior years, ADFA defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $88.2 million are considered defeased at June 30, 2000.

NOTE 11: LEASES

The State has entered into various lease agreements with the private sector, primarily for buildings and equipment. These agreements are for various terms with most containing clauses indicating that their continuation is subject to continuing appropriation by the Legislature. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease.

The State also has lease agreements for buildings and equipment which are accounted for as capital leases. FASB Statement No. 13, *Accounting for Leases*, requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a fixed asset and the incurrence of an obligation by the lessee. Capital leases for the nongovernmental funds are reported as a long-term obligation in those funds along with the related assets. Capital leases for the Governmental Funds are reported in the General Long-Term Debt Account Group and the related assets are reported in the General Fixed Assets Account Group.

The State also has direct-financing lease agreements with ADFA. These leases are reported separately from other capital leases in the General Long-Term Debt Account Group and the related assets are reported in the General Fixed Assets Account Group.

Most of these leases contain a fiscal funding addendum stating that the lease shall terminate on the last day of the fiscal year if appropriated funds for the ensuing fiscal year are insufficient. However, these leases are accounted for as capital leases and are considered non-cancelable for financial reporting purposes.

Future minimum commitments under operating and capital leases by fund type as of June 30, 2000, were as follows (expressed in thousands):

	Capital Leases	
	GLTDAG	Higher Education Fund
Year Ending June 30:		
2001	$ 7,881	$ 2,550
2002	7,675	2,094
2003	3,323	1,429
2004	2,849	821
2005	2,533	146
Thereafter	3,303	
Total Minimum Lease Payments	27,564	7,040
Less: Interest	(3,633)	(662)
Present Value of Future Minimum Lease Payments	$ 23,931	$ 6,378

	Capital Leases with Component Unit		
	GLTDAG	Proprietary Fund	Higher Education Fund
Year Ending June 30:			
2001	$ 7,877	$ 244	$ 155
2002	7,880	242	154
2003	7,875	241	157
2004	7,863	244	155
2005	7,855	241	157
Thereafter	54,957	1,691	314
Total Minimum Lease Payments	94,307	2,903	1,092
Less: Interest	(25,676)	(977)	(238)
Present Value of Future Minimum Lease Payments	$ 68,631	$ 1,926	$ 854

	Operating Leases		
	General Government	Proprietary Fund	Higher Education Fund
Year Ending June 30:			
2001	$ 11,744	$ 202	$ 4,071
2002	7,521	119	3,521
2003	5,221	3	2,235
2004	4,081		1,694
2005	3,388		1,205
Thereafter	12,191		3,578
Total Minimum Lease Payments	$ 44,146	$ 324	$ 16,304

NOTE 12: FUND EQUITY

Designations

Detail of designated general fund balance as of June 30, 2000, is as follows (expressed in thousands):

Continuing appropriations	$ 69,602
Budget stabilization	1,342,059
Total (memorandum only)	$ 1,411,661

Designations for budget stabilization reflect the intent of Arkansas financial laws with regard to future use of current financial resources.

Deficit Retained Earnings

The WCC had a $12.3 million deficit in retained earnings as of June 30, 2000. The deficit was generated by a change in actuarial assumptions during the fiscal year ended June 30, 1997. If the deficit is not eliminated by normal operations, WCC has the ability to change the investment strategy to receive larger investment returns or increase the threshold of claims submitted to the WCC.

The Other Revolving Loan Funds had a $1.1 million deficit in retained earnings as of June 30, 2000. Management of the Other Revolving Loan Funds is confident that the deficit will be eliminated through normal operations.

Contributed Capital

The changes in the State's contributed capital accounts for its proprietary funds were as follows:

	Construction Assistance Revolving Loan Fund	Other Revolving Loan Funds	Total
Balance July 1, 1999	$118,562	$ 7,948	$ 126,510
Capitalization of federal grants	2,362	2,560	4,922
Capitalization of state grants		3,500	3,500
Balance June 30, 2000	$ 120,924	$ 14,008	$ 134,932

NOTE 13: PENSIONS

Plan Descriptions - The State contributes to three single-employer defined benefit pension plans: Arkansas Judicial Retirement Plan ("Judicial"). Arkansas Highway and Transportation Retirement Plan ("Highway"), and Arkansas State Police Retirement System ("State Police"). State Police and Judicial are administered by Arkansas Public Employees Retirement System. Highway is administered by the plan itself. Each plan provides retirement, disability, and death benefits, in accordance with benefit provisions as established and amended by State Statute (A.C.A.24). Each plan issues a publicly available financial report, which may be obtained by writing or calling the appropriate plan:

Arkansas Judicial Retirement Plan	Arkansas Highway and Transportation Retirement Plan	Arkansas State Police Retirement Plan
One Union National Plaza 124 W. Capitol, 5th Floor Little Rock, AR 72201 (501) 682-7855	P. O. Box 2261 Little Rock, AR 72203 (501) 569-2000	One Union National Plaza 124 W. Capitol, 5th Floor Little Rock, AR 72201 (501) 682-7855

The State also contributes to two cost-sharing multiple-employer defined benefit plans: Teacher, administered by the Arkansas Teacher Retirement System Board of Trustees, and APERS, administered by the Arkansas Public Employees Retirement System Board of Trustees, which provide retirement, disability and death benefits, and annual cost of living adjustments to plan members and beneficiaries. Benefit provisions are established and amended by state statute (A.C.A.24). Each plan issues a publicly available financial report, which may be obtained by writing or calling the appropriate plan:

Arkansas Teacher Retirement Plan	Arkansas Public Employees Retirement Plan
1400 West Third Street Little Rock, AR 72201 (501) 682-1517	One Union National Plaza 124 W. Capitol, 5th Floor Little Rock, AR 72201 (501) 682-7855

For the year ended June 30, 2000, the payroll of State employees covered by the pension plans was approximately $837 million.

Funding Policies - State statute establishes the contribution requirements of plan members and the State. The State's annual pension cost for the current year and related information for each plan is as follows:

	Judicial	Teacher	State Police	Highway	APERS
Number of participating employers/contributing entities	1	417	1	1	786
Contribution rates for the fiscal year ended June 30, 2000 (% of covered payroll):					
State	22.24 %	12.00 %	29.82 %	12.90 %	10.00 %
Plan members - contributory plans	5.00% and 6.00%	6.00 %	-	6.00 %	6.00 %
Annual pension cost (in thousands)	$3,126	$175,687	$6,447	$13,948	$96,349
Contributions made (in thousands)	$3,184	$175,687	$7,065	$13,948	$96,349

The required contribution amounts and the percentage contributed for Teacher and APERS for the current year and each of the two preceding years are as follows:

Fiscal Year	Plan	Annual Required Contribution	Percentage Contributed
2000	Teacher	$175,687	100 %
	APERS	96,349	100 %
1999	Teacher	$166,786	100 %
	APERS	93,323	100 %
1998	Teacher	$158,963	100 %
	APERS	87,529	100 %

State Police and APERS consist of both a contributory plan, which has been in effect since the beginning of the plans, and is available to all persons who became members prior to January 1, 1978; and a non-contributory plan, which was created by Act 793 of 1977 and was effective January 1, 1978. The non-contributory plan applies automatically to all persons hired January 1, 1978, or later. All non-retired members of the State Police are now covered by non-contributory benefits. Members of the Teacher plan contribute 6% of their salaries, except for members who became members before July 1, 1971, who can contribute only on the first $7,800 of their annual salary; and effective July 1, 1993, all new members, including any former active members, were automatically enrolled as non-contributory members. By individual election, members of the Teacher plan may choose to contribute. Active members of the Judicial plan contribute 5% and 6% of their salaries. Members of the Judicial plan with 20 or more years of service and members age 65 or older with ten or more years of service do not contribute to the plan. Active members of the Highway plan contribute 6% of their salaries.

Included in the June 30, 2000, investment portfolio of APERS and the State Police plans are the following investments (other than these issued by the U.S. Government) in any one organization that represent 5% or more of plan net assets:

State Police - S&P 500 Index Fund	$ 34,077,257
APERS - Brinson Equity Fund	227,842,651
S&P 500 Index Fund	326,057,913
Wellington Mortgage Backed Securities Fund	258,869,056
Barclays Global Investors	409,786,077

The Teacher, Highway, and Judicial plans did not have investments of any commercial or industrial organization whose market value equals 5% or more of the individual plan's net assets available for benefits.

The State's 2000 contribution to APERS represented 100% of total contributions required of all participating entities. Beginning with the 1997 fiscal year, the State no longer contributes to Teacher. As required by Act 1194 of 1995, the State increased the local state supported school appropriations so that such retirement contributions come directly from the school districts.

The State's annual pension cost and net pension obligation (asset) to Judicial and State Police for the current year is as follows (in thousands):

	Judicial	State Police
Annual required contribution ("ARC")	$ 3,011	$ 6,368
Interest on net pension obligation	(787)	404
Adjustment to annual required contribution	902	(325)
Annual pension cost	3,126	6,447
Contributions made	3,184	7,065
Decrease in net pension obligation/ increase in net pension asset	(58)	618
Net pension obligation (asset), beginning of year	(10,504)	5,209
Net pension obligation (asset), end of year	$ (10,561)	$ 4,591

For Highway, the statutory contributions made by the State equaled the annual required contributions ("ARC") required by GASB 27 for each of the fiscal years that began between December 15, 1986 and June 30, 1996, and therefore the State has neither a transition asset or liability.

No pension liability exists for Teacher or APERS, as the State's contributions to each respective plan for the year ending June 30, 2000, was equal to the ARC.

Three-year trend information for the single-employer plans is as follows:

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Judicial	6/30/00	$ 3,126	101.86 %	$ (10,561)
	6/30/99	3,150	129.17 %	(10,504)
	6/30/98	3,183	143.42 %	(10,493)
State Police	6/30/00	$ 6,447	109.59 %	$ 4,591
	6/30/99	6,491	103.96 %	5,209
	6/30/98	6,632	108.75 %	5,466
Highway	6/30/00	$13,948	100.00 %	N/A
	6/30/99	14,499	100.00 %	N/A
	6/30/98	13,976	100.00 %	N/A

Higher Education

All active higher education employees who work 20 or more hours a week have the option of participating in either APERS, Teacher or the Teachers Insurance Annuity Association - College Retirement Equities Fund ("TIAA-CREF") or the Fidelity Fund.

TIAA-CREF and the Fidelity Fund were established by the Board of Trustees of each respective college or university. These funds represent a defined contribution plan as set forth in Section 403(b) of the Internal Revenue Code. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Each college or university contributes a percentage of an employee's salary, ranging from 5% to 10%, to a TIAA-CREF or Fidelity Fund retirement account, allocated between the two funds according to the employee's choice. In addition, employees may make voluntary contributions of any amount up to the individual maximum allowance. During 2000, total employer contributions to TIAA-CREF and Fidelity were $38.349 million and $5.881 million, respectively. Employee contributions to TIAA-CREF and Fidelity were $33.730 million and $5.655 million, respectively.

NOTE 14: SEGMENT INFORMATION - ENTERPRISE FUND

Segment financial information for the State's enterprise funds is as follows (expressed in thousands):

Description	Workers' Compensation Commission	Construction Assistance Revolving Loan Fund	Other Revolving Loan Funds
Operating revenues	$ 16,679	$ 11,062	$ 482
Depreciation and amortization	214	307	53
Operating income (loss)	(5,201)	3,454	(864)
Operating transfers out	229		
Net income (loss)	1,725	3,454	(864)
Fixed asset additions	426		
Net working capital	146,492	244,613	12,874
Total assets	172,672	251,277	13,187
Long-term liabilities payable from operating revenues	172,128	114,646	
Fund equity (deficit)	(12,297)	131,823	12,914

NOTE 15: COMPONENT UNIT DISCLOSURES

The financial statements do not include the financial position or results of operations of foundations or other organizations affiliated with certain higher education institutions. Such organizations are separate nonprofit entities incorporated in the State. Their purpose is to assist affiliated higher education institutions in performing their work and services. Oversight of each organization is the responsibility of separate and independently elected boards of directors not otherwise affiliated with their respective higher education institutions. In carrying out their responsibilities, the boards of directors of the organizations employ management, form policy, and maintain fiscal accountability over funds administered by their respective organizations.

Condensed financial statements of discretely presented component units at June 30, 2000, are as follows (expressed in thousands):

	Arkansas Student Loan Authority	Arkansas Development Finance Authority	Total
Balance Sheet			
Assets:			
Other Assets	$232,711	$1,679,096	$1,911,807
Fixed Assets, net	11	360	371
Total Assets	$232,722	$1,679,456	$1,912,178
Liabilities:			
Other Liabilities	$ 2,196	$ 94,309	$ 96,505
Revenue Bonds Payable	214,807		214,807
Special Obligation Bonds Payable		1,475,949	1,475,949
Total Liabilities	217,003	1,570,258	1,787,261
Fund Equity -			
Retained Earnings	15,719	109,198	124,917
Total Equity	15,719	109,198	124,917
Total Liabilities and Equity	$232,722	$1,679,456	$1,912,178
Statement of Operations			
Operating Revenues	$ 17,894	$ 89,854	$ 107,748
Operating Expenses	(13,934)	(105,375)	(119,309)
Depreciation and Amortization	(572)	(1,983)	(2,555)
Operating Income (Loss)	3,388	(17,504)	(14,116)
Non-Operating Revenues			
Operating Grants		16,025	16,025
Net Income (Loss)	3,388	(1,479)	1,909
Equity - Beginning of Year	12,331	110,677	123,008
Equity - End of Year	$ 15,719	$ 109,198	$ 124,917

The above discretely presented component units of the State do not issue classified balance sheets; therefore, information regarding current assets and current liabilities is unavailable.

NOTE 16: RISK MANAGEMENT PROGRAM

The following describes the risk management programs administered by the State. There have been no significant reductions in insurance coverage from the prior year.

Health and Life Plans

Ark. Code Annotated § 21-5-401 et seq. changed its name, duties, and composition of the State and Public School Employees Life and Health Insurance Board (the "Board") and created the Employee Benefits Division ("EBD") within the Department of Finance and Administration. A.C.A. § 21-5-403 states that *the State and Public School Life and Health Insurance Board shall be a policy-making body only. The executive director shall report upon request to the House and Senate Interim Committees on Insurance and Commerce regarding the state employees and public school insurance program.* The Executive Director means the executive director of the EBD who oversees the daily operation of the EBD. The role of the EBD is that of managing the group health and life programs and other select benefit programs for active and retired state and public school employees. As required by A.C.A. § 21-5-405, the State and Public School Life and Health Insurance Board and the Executive Director take a risk management approach in designing the state employee and public school employee health benefit programs. In addition, the Board ensures that the state and public school employee health benefit programs are maintained on an actuarially sound basis as determined by actuarial standards established by the Board. Not included in this service are higher education, state police, and some portion of the states vocational and technical schools.

The Board provides the following employee benefits to State employees: comprehensive major medical that also includes basic dental, vision, and limited mental health; prescription drug benefit; basic and supplemental group term life insurance; a cafeteria plan that includes a flexible medical spending account and a dependent daycare/elder care account; and a deferred compensation plan with the option to participate in one or both of the deferred compensation companies. The State employees are self-insured for the medical health, group term life insurance, and pharmacy claims.

Public school employees are offered the comprehensive major medical plan that also includes basic dental, vision, and limited mental health; prescription drug benefit; and the basic and supplemental group term life insurance program. Each school district obtains its own cafeteria plan and any other benefits that are offered to public school employees by their school districts. The public school group is fully insured for the medical health and group term life insurance and self-insured for pharmacy claims.

Basic group term life insurance and accidental death and dismemberment coverage of $5,000.00 is offered to all state and public school employees. The basic life insurance premium for state employees if $2.80 per month and is self-insured and self-administered. The basic life insurance premium for public school employees is $0.65 per month and is fully funded by the life vendor. Supplemental coverage is offered to both state and public school employees. Supplemental life insurance premiums are bracketed by age for state employees and based on employee's annual salary for public school employees. The state and public school employee may also purchase dependent coverage.

Claim liabilities for the medical health insurance plans for the State employees and the prescription drug plan for the public school employees and State employees are based on actuarial estimates of the ultimate cost of claims that have been incurred (both reported and unreported) and are recorded in the general fund. An analysis of changes in aggregate liabilities for claims and claims adjustment expenses for the current and prior fiscal year are as follows (expressed in thousands):

	2000	1999
Claim liability, beginning of year	$ 17,370	$ 16,252
Incurred claims	144,335	128,851
Claims payments	(140,682)	(127,733)
Claim liability, end of year	$ 21,023	$ 17,370

The Plans have not purchased any annuity contracts on behalf of claimants.

Risk Management Office

The State established the Risk Management Office in accordance with State law for the purpose of analyzing and making recommendations as to cost effective loss control and safety programs for the various State agencies. Accordingly, State agencies retain the ultimate decision authority over whether to purchase commercial insurance coverage for property losses.

For those State buildings covered by commercial insurance, the building and contents are generally insured for the full amount of losses subject to varying deductible amounts up to $25 thousand per occurrence. Losses arising from earthquakes are generally insured for the full amount of losses subject to a deductible of 5% of the building's value. Certain State agencies have chosen not to purchase commercial insurance on certain buildings, and as such, losses are recorded as expenditures in the General Fund when paid.

The State does not purchase liability insurance coverage for claims arising from third party losses on State property as the State has sovereign immunity against such claims. Claims against the State for such losses are heard before the State Claims Commission.

For those State vehicles covered by commercial insurance, the vehicle is generally insured for the full amount of losses subject to varying deductible amounts. Also, such commercial insurance generally provides coverage against liability losses up to $100 thousand per occurrence in state and $500 thousand per occurrence out of state. Certain State agencies have elected not to purchase commercial insurance for certain vehicles and losses on such vehicles are recorded as expenditures in the General Fund as paid. Liability losses arising from uninsured vehicles are heard and adjudicated by the State Claims Commission.

There have been no instances in the past three fiscal years wherein the amount of commercial insurance settlements have exceeded insurance coverage.

State Claims Commission

The State Claims Commission was established by State law to hear and adjudicate all claims against the State and its agencies and component units excluding those arising from workers' compensation law, employment security law, and the acts of the various retirement plans. According to State law, only claims for actual damages are allowed. The Commission may authorize awards for actual damages up to $7.5 thousand without further approval while amounts exceeding $7.5 thousand must be approved by the State General Assembly. The claim liability is determined by review of pending claims and estimation of the ultimate cost to settle such claims and is recorded in the General Fund.

State Workers' Compensation Plans

The State's Workers' Compensation Program (the "Program") was created by State law to provide benefits to State employees injured on the job. All employees of the State and its component units are included in the Program. Prior to July 1, 1994, employees of state sponsored school districts in the State were also included in the plan, and the State continues to pay benefits to those employees injured prior to that date. An injury is covered under workers' compensation if it is caused by an accident that arose out of and in the course of employment. Losses payable by the Program include medical claims, loss of wages, disability and death benefits.

The Program is self-insured and is administered by the Public Employees Claims Division of the State Insurance Department. Each State agency is responsible for contributing to the Program each year an amount determined by the division based on past claims experience. The State's liability for claims at

June 30, 2000, including claims incurred but not reported, is estimated to be approximately $55.5 million and is recorded in the General Long-Term Debt Account Group as a component of claims and judgments payable.

The State also provides two forms of loss protection to employers and insurance companies operating in the State to minimize workers' compensation claims paid for wage losses. The first such plan was created by state law and is known as the Death & Permanent Total Disability Trust Fund ("Disability Trust Fund"). The Disability Trust Fund pays wage loss benefits in excess of $75 thousand per case. The employer's primary insurer is responsible for the first $75 thousand per case. The Disability Trust Fund is funded by taxes assessed on workers' compensation premiums earned by insurance companies operating in the State and by assessments on self-insured employers as if they were commercially insured. The liability of the Disability Trust Fund at June 30, 2000, is based on actuarial estimates of ultimate claim costs, for both reported and unreported claims, discounted at 5% and is recorded in the Workers' Compensation Commission Enterprise Fund.

The second such plan was created by State law and is known as the Second Injury Trust Fund. The Second Injury Trust Fund generally pays wage loss benefits for persons which experience a repeated injury of the same body part while employed by a different employer than that which he experienced the first injury. The purpose of the Second Injury Trust Fund is to encourage the employment of persons who have previously filed workers' compensation claims by protecting subsequent employers from wage loss claims arising from repeat injuries. The Second Injury Trust Fund is funded by taxes assessed on workers' compensation premiums earned by insurance companies operating in the state and by assessments on self-insured employers as if they were commercially insured. The claim liability is estimated by discounting at 5% the expected future claim payments of reported claims and is recorded in the Workers' Compensation Commission Enterprise Fund.

The Disability Trust Fund and the Second Injury Trust Fund are administered by the WCC. Changes in the combined balance of the Disability Trust Fund and Second Injury Trust Fund during the current fiscal year are as follows (expressed in thousands):

	2000	1999
Claim liability, beginning of year	$ 168,120	$ 159,735
Incurred Claims	12,514	18,260
Claim Payments	(10,432)	(9,875)
Claim liability, end of year	$ 170,202	$ 168,120

Petroleum Storage Tank Trust Fund

The Petroleum Storage Tank Trust Fund ("Storage Tank Fund") was established according to State law to provide owners and operators of petroleum storage tanks in the State protection from losses associated with accidental releases from qualified storage tanks. In order for a storage tank to qualify under the Storage Tank Fund it must be registered with all fees paid and meet certain construction and spill protection and detection standards at the time of the release. The Storage Tank Fund will pay first party claims for corrective action up to $1 million per occurrence with a $7.5 thousand deductible as well as third party claims for damages up to $1 million per occurrence with a $7.5 thousand deductible. The Storage Tank Fund is funded by motor fuel taxes and fees paid by storage tank owners and operators. The first party claim liability is determined through the use of engineering estimates of the remaining corrective action for each site. The third party claim liability is estimated at the plan limits for each third party claim filed until actual damages are determined and the liability is recorded in the General Long-Term Debt Account Group.

Changes in the balance of the Storage Tank Fund claim liability during the current fiscal year are as follows (expressed in thousands):

	2000	1999
Claim liability, beginning of year	$ 8,445	$ 9,594
Incurred Claims	5,349	1,675
Claim Payments	(2,934)	(2,824)
Claim liability, end of year	$ 10,860	$ 8,445

Higher Education Health Plans

The System and Arkansas State University ("ASU") sponsor self-funded health plans for employees and their eligible dependents. All five System campuses, all ASU campuses, state-wide operating units of the Arkansas Archeological Survey and Division of Agriculture, System Administration, and the System Foundation participate in the health insurance programs, which are administered by third parties who are responsible for the processing of claims and administration of cost containment.

The universities pay a portion of the total premium for full time active employees, while retirees and former employees participate on a fully contributory basis.

Changes in the balance of the System and ASU claim liability during the current fiscal year are as follows (expressed in thousands):

	2000	1999
Claim liability, beginning of year	$ 10,450	$ 8,642
Incurred Claims	52,032	47,223
Claim Payments	(48,934)	(45,415)
Claim liability, end of year	$ 13,548	$ 10,450

The universities purchase specific reinsurance to reduce their exposure on large claims. Under the specific arrangement, the reinsurance carrier pays for claims for covered individuals which exceed specified limits. Such limits are $250 thousand and $100 thousand for the System and ASU, respectively.

The plans have not purchased any annuity contracts on behalf of claimants.

NOTE 17: COMMITMENTS AND CONTINGENCIES

Primary Government -

Litigation - The State, its agencies and employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged inmate wrongs, other alleged torts, alleged breaches of contract, condemnation proceedings, challenges of state law and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State, but remained unpaid by the State as of the balance sheet date. The State has accrued liabilities in the approximate amount of $2.8 million for the payment of such claims. For other cases which it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate the liability to be approximately $44 million.

The State is also involved in a federal school desegregation lawsuit. The State has accrued approximately $1.7 million for the settlement of these suits.

It is not possible to predict with certainty or exactitude the ultimate outcome of all lawsuits pending or threatened against the State, including those discussed above. Based on the current status of all of these legal proceedings for which accruals have not been made in the State's financial statements, it is the opinion of management and the Attorney General that the proceedings will not have a material adverse impact on the State's financial position.

The State is also involved in a lawsuit pertaining to the equalization of funds among the various school districts. If the State is found liable, it would have to increase future appropriations in an amount considered material to the financial statements.

Federal Grants - The State, including its institutions of higher education, receives significant financial assistance from the U.S. Government in the form of grants and federal revenue sharing entitlements. Entitlement to those resources is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits under either the Federal Single Audit Act or by grantor agencies of the Federal Government or their designees. At June 30, 2000, the amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the State expects such amounts, if any, to be immaterial.

Loan Forgiveness - Under the provisions of the Pulaski County Desegregation Settlement Agreement, the State agreed to provide loans to the Little Rock School District ("LRSD"). If the composite test scores of the LRSD minority students reach a specified level before December 1, 2001, any outstanding loan balance will be forgiven. The standard by which the test scores will be measured has yet to be determined by the parties. As of June 30, 2000, the State's loan receivable is $20 million and is recorded in the General Fund.

Construction and Other Commitments - At June 30, 2000, the State has commitments of approximately $778.1 million for construction and other contracts. The Soil and Water Conservation Commission has approved $41 million in loans for projects for water systems, waste water, or pollution abatement that have not been disbursed at June 30, 2000.

Bond Guarantees - The AEDC Bond Reserve Guaranty Fund is used to guarantee principal and interest on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 2000, total bonds guaranteed by the AEDC Bond Guaranty Reserve Fund were approximately $37.6 million. AEDC has committed to guarantee $1.7 million in industrial development revenue bonds that have not closed at June 30, 2000.

Claims Incurred but not Reported - The State has established a liability for both reported and unreported insured events, which includes estimates of future payments of claims and related claim adjustment expenses, based on the estimated ultimate cost of settling claims. In estimating its liability for incurred but unpaid claims, the State considers prior experience, industry information and currently recognized trends affecting data specific to the State. Because actual claim costs depend upon such factors as duration of worker disability, medical cost trends, occupational disease, and inflation, the process used in computing the ultimate cost of settling claims and expense for administering claims is necessarily based on estimates.

Compensated Absences - State employees earn vacation leave benefits on the basis of length of service time. Subject to certain restrictions, state employees are compensated for unused vacation time upon leaving the State's employment. Unused vacation time for employees of the governmental funds is accrued in the General Long-Term Debt Account Group.

Arbitrage Rebates - The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. The Construction Assistance Revolving Loan Fund, ADFA, and ASLA have made provisions for revenues above the rebate limit which must be remitted to the Federal Government.

NOTE 18: SUBSEQUENT EVENTS

Primary Government - On July 1, 2000, the Soil and Water Conservation Commission issued, on behalf of the State, Water, Waste Disposal, and Pollution Abatement Facilities General Obligation Bonds, Series 2000A, in the amount of $5 million. The bonds are to provide financing for the development of water, waste disposal, pollution abatement, drainage and flood control, irrigation, and wetland preservation facilities project in the State.

Component Units - Subsequent to June 30, 2000, ADFA issued approximately $2.2 million in special obligation bonds in the Economic Development Programs Fund.

Subsequent to June 30, 2000, ASLA issued $55 million in Student Loan Revenue Refunding Bonds and $20 million in Taxable Student Loan Revenue Bonds. The proceeds of the series are to used for the purpose of acquiring and originating student loans and refunding certain ASLA obligations.

* * * * * *

Required Supplementary Information
Schedule of Funding Progress
(Expressed in Thousands)

Fiscal Year	Plan	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL (Overfunded) as a Percentage of Covered Payroll
2000	Judicial	6/30/00	$107,059	$ 83,211	$ (23,848)	128.7 %	$ 14,371	(165.9)%
	State Police	6/30/00	222,868	232,988	10,120	95.7 %	20,452	49 5 %
	Highway	6/30/00	870,292	768,300	(101,972)	113.3 %	104,572	(97.5)%
1999	Judicial	6/30/99	$ 91,783	$ 82,775	$ (9,008)	110.9 %	$ 13,891	(64.8)%
	State Police	6/30/99	201,751	221,167	19,416	91.2 %	20,388	95.2 %
	Highway	6/30/99	755,039	727,900	(27,139)	103.7 %	105,232	(25.8)%
1998	Judicial	6/30/98	$ 77,175	$ 71,274	$ (5,901)	108.3 %	$ 13,084	(45.1)%
	State Police	6/30/98	182,997	204,098	21,101	89.7 %	19,817	106.5 %
	Highway	6/30/98	653,028	647,000	(6,028)	100.9 %	104,520	(5.8)%

Note to Required Supplementary Information

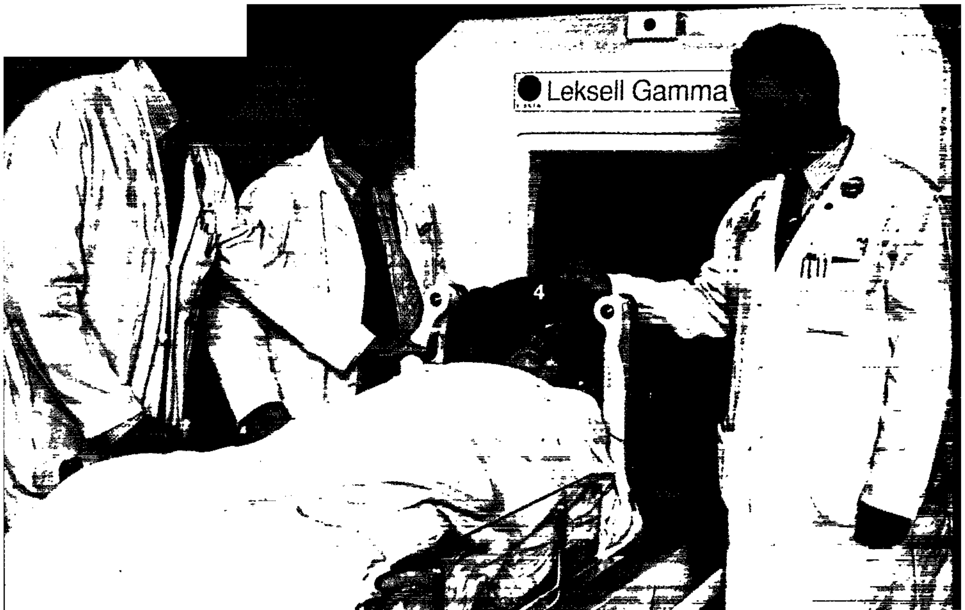
Actuarial Assumptions - The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	Judicial	State Police	Highway
Actuarial valuation date	June 30, 2000	June 30, 2000	June 30, 2000
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percentage of Pay, Closed	Level Percentage of Pay, Closed	Level Percentage of Pay, Open
Remaining amortization period	N/A**	22 years	N/A
Asset valuation method	4 Year Smoothed Market	4 Year Smoothed Market	5 Year Smoothed Market
Actuarial assumptions:			
Inflation rate	5 %	4.75 %	4.5 %
Investment rate of return*	7.5 %	7.75 %	8.0 %
Projected salary increases*	5.0% to 7.2%	4.75% to 9.55%	5 to 11%
Post retirement benefit increases	3.00 %	3.00 %	3.00 %

*Includes assumed inflation.

**The Judicial Board of Trustees has elected to segregate excess funding amounts in a contingency reserve and to exclude these amounts in the determination of employer contribution rates. Therefore, amortization of the net pension asset of approximately $11.4 million is not reflected in the computation of the annual required contribution.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES



University of Arkansas for Medical Sciences Medical Center opened Arkansas' first Gamma Knife facility in the fall of 1999. The Gamma Knife evenly distributes gamma rays through 201 portals instead of using a scalpel. With the Gamma Knife, UAMS Medical Center can now offer a treatment option to patients with certain brain tumors, vascular malformations, Trigeminal Neuralgia or other brain disorders once considered inoperable. It is also a noninvasive treatment alternative to patients with tumors which were once only treatable with conventional neurosurgery.


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Each spring, students in the School of Forest Resources at the University of Arkansas–Monticello spend one week testing both their technical and physical forestry skills. The week is culminated by the annual Forestry Field Day, a competition of traditional lumberjack skills such as pole climbing, log chopping, bow sawing and log birling (walking on a log in water). The winners and alternates in each technical and physical category go on to represent UAM at the Association of Southern Forestry Clubs Conclave, a competition featuring forestry students from other colleges and universities across the country. Conclave began in 1958 and UAM students have dominated the event, winning 25 of the previous 43 competitions, including 24 of the last 34, 12 of the last 14, and five in a row.

ENTERPRISE FUNDS

The enterprise funds are used to account for operations of those state agencies and/or programs providing goods or services to the general public or a user-charge basis or where the State has decided that periodic determination of revenues earned, expenses incurred and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The enterprise funds consist of the following:

Workers' Compensation Commission - This agency is responsible for providing a prompt and equitable system of compensation for injury or illness sustained during the course of employment.

Construction Assistance Revolving Loan Fund - This program is responsible for providing a perpetual fund for financing the construction of waste water treatment facilities for municipalities and other public entities.

Other Revolving Loan Funds - These programs are responsible for providing a perpetual fund for financing the planning, design, acquisition, construction, expansion, equipping, and/or rehabilitation of water systems and the financing of capitalizable educational and general projects for community and technical colleges.

Enterprise Funds
Combining Balance Sheet

June 30, 2000
(Expressed in Thousands)

	Workers' Compensation Commission	Construction Assistance Revolving Loan Fund	Other Revolving Loan Funds	Total
ASSETS:				
Cash and cash equivalents	$ 148,349	$ 20,557	$ 7,433	$ 176,339
Investments		53,569		53,569
Receivables, net:				
Accounts	8,754	140		8,894
Loans		174,296	5,648	179,944
Investment related	2,230	859	66	3,155
Fixed assets, net	3,134		40	3,174
Other assets	10,205	1,856		12,061
TOTAL ASSETS	$ 172,672	$ 251,277	$ 13,187	$ 437,136
LIABILITIES AND EQUITY:				
Liabilities:				
Accounts payable	$ 534	$ 443	$ 86	$ 1,063
Accrued and other liabilities	12,307	497		12,804
Deferred revenues		3,868	187	4,055
Workers' compensation benefits payable	170,202			170,202
Capital leases	1,926			1,926
Special obligation bonds payable		114,646		114,646
Total liabilities	184,969	119,454	273	304,696
Equity:				
Retained earnings (deficit) unreserved	(12,297)	10,899	(1,094)	(2,492)
Contributed capital		120,924	14,008	134,932
Total equity (deficit)	(12,297)	131,823	12,914	132,440
TOTAL LIABILITIES AND EQUITY	$ 172,672	$ 251,277	$ 13,187	$ 437,136

Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit)

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Workers' Compensation Commission	Construction *Assistance* Revolving Loan Fund	*Other* Revolving Loan Funds	Total
OPERATING REVENUES:				
Licenses, permits and fees	$ 7,709			$ 7,709
Investment earnings		$ 9,311	$ 479	9,790
Insurance tax	8,613			8,613
Other	357	1,751	3	2,111
Total Operating Revenues	16,679	11,062	482	28,223
OPERATING EXPENSES:				
General and administrative	21,666	1,057	1,293	24,016
Interest		6,070		6,070
Provision for loan loss		174		174
Depreciation	214			214
Amortization		307	53	360
Total Operating Expenses	21,880	7,608	1,346	30,834
Operating Income (Loss)	(5,201)	3,454	(864)	(2,611)
NON-OPERATING REVENUES (EXPENSES):				
Investment earnings	7,286			7,286
Interest	(131)			(131)
Total Non-Operating Revenue	7,155			7,155
Income (Loss) Before Operating Transfers	1,954	3,454	(864)	4,544
OPERATING TRANSFERS -				
Operating transfers out - primary government	(229)			(229)
NET INCOME (LOSS)	1,725	3,454	(864)	4,315
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	(14,022)	7,445	(230)	(6,807)
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	$ (12,297)	$ 10,899	$ (1,094)	$ (2,492)

Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Workers' Compensation Commission	Construction Assistance Revolving Loan Fund	Other Revolving Loan Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	$ (5,201)	$ 3,454	$ (864)	$ (2,611)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation, accretion and amortization	214	(71)	50	193
Provision for loan loss		174		174
Loss on disposals of assets	14			14
Changes in operating assets and liabilities:				
Accounts receivable	1,181	(71)		1,110
Investment related receivable	(418)	(183)	(15)	(616)
Other assets	(10)			(10)
Accounts payable and accrued expenses	89	(52)	(1,509)	(1,472)
Workers' compensation benefits payable	2,083			2,083
Other liabilities		354		354
Net Cash Provided (Used) by Operating Activities	(2,048)	3,605	(2,338)	(781)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating transfers out to other funds	(229)			(229)
Borrower's contribution			190	190
Repayment of bonds		(3,536)		(3,536)
Interest expense	(131)			(131)
Net Cash Provided (Used) by Non-Capital Financing Activities	(360)	(3,536)	190	(3,706)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital lease obligation	(110)			(110)
Proceeds from disposal of capital assets	2			2
Proceeds from grants		2,362	6,060	8,422
Acquisition of capital assets	(966)			(966)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,074)	2,362	6,060	7,348
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments		(35,073)		(35,073)
Investment earnings	7,286			7,286
Proceeds from sales and maturities of investments		12,808		12,808
Loan disbursements		(12,282)	(4,376)	(16,658)
Principal repayments on loans		7,559	156	7,715
Net Cash Provided (Used) by Investing Activities	7,286	(26,988)	(4,220)	(23,922)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,804	(24,557)	(308)	(21,061)
CASH AND CASH EQUIVALENTS:				
Beginning of year	144,545	45,114	7,741	197,400
End of year	$148,349	$ 20,557	$ 7,433	$ 176,339


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Music courses took on a whole new meaning at Arkansas Tech when the doors of the Pendergraft Library and Technology Center opened last fall. The state-of-the-art music lab is equipped with 13 individual workstations featuring high speed computers, CDs, video monitors and keyboards. Students may listen to sound recordings and view video recordings, both in multiple formats. They may hone their ear training skills, compose and edit scores, and even mix their own sound recordings. Tech's music faculty is using the equipment not to teach technology, but to teach music *through* technology.

TRUST AND AGENCY FUNDS

Trust and agency funds are used to account for assets held by the State in a fiduciary capacity or as an agent for individuals, private organizations, or other governments and/or funds. The trust and agency funds consist of the following:

Expendable Trust Fund - This fund is accounted for in essentially the same manner as governmental funds and is administered by the Arkansas Employment Security Department to eligible unemployed workers.

Pension Trust Funds - These funds are accounted for in essentially the same manner as proprietary funds, and includes Judicial, Teacher, State Police, Highway, and APERS retirement plans.

Agency Funds - These funds are custodial in nature and do not involve measurement of operations. Included in these funds are assets held by the Insurance Department and various other state agencies.


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Trust and Agency Funds
Combining Balance Sheet

June 30, 2000
(Expressed in Thousands)

	Expendable Trust	Pension Trust		
	Employment Security Division	Judicial	Teacher	State Police
ASSETS:				
Cash and cash equivalents	$275.818	$ 3.297	$ 279.225	$ 27,930
Investments		112.324	8.542.580	246,797
Receivables, net:				
Accounts	45.186		37	
Employer			4,865	26
Employee			6.121	
Investment related		2,179	253,724	3,426
Due from other governments	3.618			
Due from other funds - primary government	865			
Advances to other funds - primary government			21,857	
Fixed assets, net			1.454	
Other assets			41	
TOTAL ASSETS	$325.487	$ 117.800	$ 9.109.904	$278,179
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable		$ 1.559	$ 2	
Accrued and other liabilities	$ 49.641		1.131.834	$ 45.008
Due to other governments	1.004			
Due to other funds - primary government				
Agency liabilities				
Total Liabilities	50.645	1.559	1.131,836	45.008
Fund balance:				
Reserved for *unemployment compensation*	274.842			
Reserved for employee pension benefits		116.241	7.978.068	233,171
Total Fund Balance	274.842	116.241	7.978,068	233,171
TOTAL LIABILITIES AND FUND BALANCE	$325.487	$ 117.800	$ 9,109,904	$278,179

		Agency Funds		
Highway	APERS	Insurance Department	Other Agencies	Total
$ 74,530	$ 164,003	$ 19,731	$ 29,101	$ 873.635
937.376	4,484,933	421,457	585	14.746,052
				45.223
533	1,924			7,348
313				6.434
7.424	53.754			320,507
			81	3,699
				865
				21.857
	153			1.607
	17			58
$ 1,020,176	$ 4.704,784	$441,188	$ 29.767	$ 16.027.285
				$ 1.561
$ 5	$ 469,392			1,695,880
			$ 14	1,018
			56	56
		$441.188	29.697	470.885
5	469,392	441,188	29.767	2.169.400
				274,842
1,020,171	4,235,392			13.583.043
1.020,171	4.235.392			13.857.885
$ 1,020,176	$ 4.704.784	$441,188	$ 29.767	$ 16,027.285

Pension Trust Funds
Combining Statement of Changes in Plan Net Assets Held in Trust for Pension Benefits

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Judicial	Teacher	State Police	Highway	APERS	Total
ADDITIONS:						
Contributions:						
Employer	$ 4.054	$ 175.687	$ 6.938	$ 13.948	$ 96.349	$ 296.976
Employee	733	55.633		6.609	369	63,344
Total Contributions	4,787	231,320	6,938	20.557	96,718	360.320
Investment income:						
Net appreciation in fair value of investments	8.032	449,348	18.539	130.050	261,197	867,166
Interest	3.145	138,048	5.980	32.786	83,518	263,477
Dividends	554	69.077	1,140	1,076	19.016	90,863
Real estate operating income (loss)		2,093			(1,400)	693
Other		41,373	3,336	1.062	23,488	69,259
Less investment expense	(501)	(59,194)	(4,283)	(2,232)	(35.803)	(102,013)
Net Investment Income	11.230	640.745	24.712	162,742	350.016	1.189.445
Other additions - Miscellaneous revenues	218	635	126		7.977	8,956
TOTAL ADDITIONS	16,235	872,700	31.776	183.299	454,711	1,558,721
DEDUCTIONS:						
Annuity benefits	3.695	284,356	9.016	32,347	121.714	451,128
Refunds of employee contributions	35	3,318		861	43	4.257
Administrative expenses	46	9.600	60		3.558	13.264
Other deductions				252		252
TOTAL DEDUCTIONS	3.776	297.274	9,076	33.460	125,315	468.901
NET INCREASE	12.459	575,426	22.700	149.839	329,396	1,089.820
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT BEGINNING OF YEAR	103.782	7.402.642	210.471	870,332	3,905,996	12.493,223
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT END OF YEAR	$ 116,241	$ 7,978.068	$233,171	$ 1,020,171	$ 4,235.392	$ 13,583,043

Pension Trust Funds
Statement of Net Plan Assets

June 30, 2000
(Expressed in Thousands)

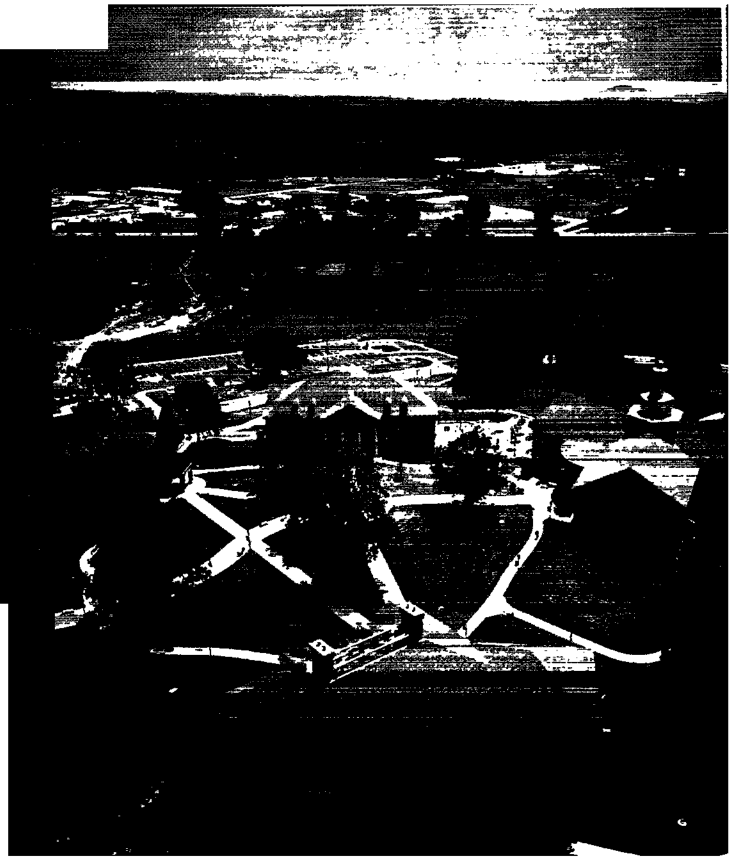
	Judicial	Teacher	State Police	Highway	APERS
ASSETS					
Cash and cash equivalents	$ 3,297	$ 279,225	$ 27,930	$ 74,530	$ 164,003
Investments	112,324	8,542,580	246,797	937,376	4,484,933
Receivables, net:					
Accounts		37			
Employer		4,865	26	533	1,924
Employee		6,121		313	
Investment related	2,179	253,724	3,426	7,424	53,754
Advances to other funds - primary government		21,857			
Fixed assets, net		1,454			153
Other assets		41			17
Total Assets	$ 117,800	$ 9,109,904	$278,179	$ 1,020,176	$ 4,704,784
LIABILITIES					
Accounts payable	$ 1,559	$ 2			
Accrued and other liabilities		1,131,834	$ 45,008	$ 5	$ 469,392
Total Liabilities	1,559	1,131,836	45,008	5	469,392
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 116,241	$ 7,978,068	$233,171	$ 1,020,171	$ 4,235,392

Agency Funds
Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
INSURANCE DEPARTMENT:				
Assets:				
Cash and cash equivalents	$ 26,165		$ 6,434	$ 19,731
Investments	416,691	$ 4,766		421,457
Investment related receivables	13		13	
TOTAL	$442,869	$ 4,766	$ 6,447	$441,188
Liabilities -				
Agency liabilities	$442,869	$ 4,766	$ 6,447	$441,188
OTHER AGENCIES:				
Assets:				
Cash and cash equivalents	$ 34,970	$ 2,687,164	$ 2,693,033	$ 29,101
Investments	575	10		585
Due from other governments	94		13	81
TOTAL	$ 35,639	$ 2,687,174	$ 2,693,046	$ 29,767
Liabilities:				
Due to other governments	$ 51		$ 37	$ 14
Due to other funds - primary government		$ 56		56
Agency liabilities	35,588	2,676,572	2,682,463	29,697
TOTAL	$ 35,639	$ 2,676,628	$ 2,682,500	$ 29,767

Four years of planning, fund-raising and construction came to a close in April when Arkansas State University Mountain Home officially opened its new campus. Many things make the story of ASU Mountain Home unique. Everything from the University's beginnings to its architecture and especially the generosity and support of the community have made this campus different.



Higher Education Fund

State Board of Higher Education - The State Board of Higher Education is empowered with the duty to determine, control, supervise and manage the financial, business and educational policies and affairs of the state institutions of Higher Education under its jurisdiction. These institutions are as follows:

State Colleges and Universities:

Four Year:
- University of Arkansas System
  - Regional Campuses of University of Arkansas:
    - University of Arkansas at Fayetteville
    - University of Arkansas at Little Rock
    - University of Arkansas at Monticello
    - University of Arkansas at Pine Bluff
  - Specialized Institutions:
    - University of Arkansas School of Law
    - University of Arkansas for Medical Sciences
- Arkansas State University
- Arkansas Tech University
- Henderson State University
- Southern Arkansas University
- University of Central Arkansas

Community Colleges:
- East Arkansas Community College
- Garland County Community College
- Mississippi County Community College
- North Arkansas College
- Northwest Arkansas Community College
- Phillips Community College of the U of A
- Rich Mountain Community College
- Westark College
- South Arkansas Community College

Two Year Branches:
- Southern Arkansas University - Tech
- Arkansas State University - Beebe
- Arkansas State University - Mountain Home
- Black River Technical College
- Cossatot Technical College
- Ozarka College
- Petit Jean College
- Ouachita Technical College
- University of Arkansas Community College at Hope
- Mid-South Community College
- Southeast Arkansas College
- Pulaski Technical College
- University of Arkansas Community College at Batesville


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Higher Education Fund
Combining Balance Sheet

June 30, 2000
(Expressed in Thousands)

	Current Funds			
	Unrestricted	Restricted	Loan	Endowment and Similar
ASSETS:				
Cash and cash equivalents	$ 89,442	$ 12,237	$ 3,196	$ 7,315
Investments	106,446	13,829	6,253	124,731
Receivables, net:				
Accounts	96,512	33,759	8,848	71
Notes and deposits	2,488		34,275	
Investment related	233	4	1,153	44
Due from other funds - primary government	15,946			
Due from other funds - higher education	7,311	157		146
Inventories	15,769	318		
Fixed assets, net				
Other assets	10,094	149	148	766
Total assets	$ 344,241	$ 60,453	$ 53,873	$ 133,073
LIABILITIES, EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts payable	$ 43,548	$ 5,184	$ 97	$ 5
Accrued and other liabilities	78,542	1,480	2,412	827
Deferred revenues	12,547	1,468		
Due to other funds - primary government	986			
Due to other funds - higher education	12,313	4,103	300	900
Advances from other funds				
Capital leases				
Notes payable				
Revenue bonds				
Total Liabilities	147,936	12,235	2,809	1,732
Equity and other credits:				
Net investment in fixed assets				
Fund balance:				
Reserved		48,218	51,064	131,341
Unreserved	196,305			
Total Equity and Other Credits	196,305	48,218	51,064	131,341
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	$ 344,241	$ 60,453	$ 53,873	$ 133,073

Plant Funds	Agency Fund	Total
$ 231,375	$ 2,907	$ 346,472
87,674	304,947	643,880
2,398	610	142,198
6,443		43,206
300		1,734
		15,946
12,054	21	19,689
		16,087
2,329,539		2,329,539
3,020		14,177
$ 2,672,803	$ 308,485	$ 3,572,928
$ 10,574	$ 202	$ 59,610
9,931	308,210	401,402
		14,015
		986
2,000	73	19,689
15,692		15,692
7,232		7,232
13,843		13,843
436,319		436,319
495,591	308,485	968,788
1,950,480		1,950,480
137,924		368,547
88,808		285,113
2,177,212		2,604,140
$ 2,672,803	$ 308,485	$ 3,572,928


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

GENERAL FIXED ASSETS ACCOUNT GROUP

UALR Share America, with continuing support from Children International, has grown from working with 100 children in 1994 to 1200 children in 2000, relying on the assistance of hundreds of UALR students and faculty who have developed and delivered health, educational and recreational services and programs.

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is maintained to account for fixed assets acquired or constructed for use by the State for general governmental purposes. These include all fixed assets except those accounted for in the Proprietary, Fiduciary, and Higher Education Funds and Component Units.

Schedule of General Fixed Assets by Source

June 30, 2000 (Expressed in Thousands)

General Fixed Assets:	
Land	$ 183.207
Buildings	648,491
Equipment	245,133
Construction in progress	113,839
Total General Fixed Assets	$ 1,190,670
Investment in General Fixed Assets by Source -	
General fund	$ 1,190,670
Total Investment in General Fixed Assets	$ 1,190,670

Schedule of General Fixed Assets by Function and Activity

June 30, 2000 (Expressed in Thousands)

Function and Activity	Land	Buildings	Equipment	Construction in Progress	Total
Education	$ 960	$ 43.243	$ 17,173	$ 3,690	$ 65,066
Health and human resources	4,263	145,413	17,692	392	167.760
Transportation	1,069	58.771	85,053	11,918	156.811
Law, justice and public safety	37,198	257,120	52,463	58.244	405,025
Recreation and resource development	130,675	62,933	21.492	27,953	243,053
General government	8,797	71,734	42,913	9,866	133,310
Regulation of business and professionals	245	9,277	8,347	1,776	19.645
Total	$183.207	$648,491	$245,133	$ 113,839	$ 1,190,670

Schedule of Changes in General Fixed Assets by Function and Activity

For the Fiscal Year Ended June 30, 2000 (Expressed in Thousands)

Function and Activity	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Education	$ 61.009	$ 5.515	$ 1,458	$ 65,066
Health and human resources	164,958	4.585	1.783	167,760
Transportation	134.182	25.291	2.662	156.811
Law, justice and public safety	373,718	42,171	10,864	405,025
Recreation and resource development	218,229	32,394	7.570	243,053
General government	115.597	19.921	2,208	133,310
Regulation of business and professionals	17,797	1,990	142	19.645
Total	$ 1,085.490	$ 131,867	$ 26,687	$ 1,190.670

GREAT SEAL OF THE STATE OF ARKANSAS

DISCRETELY PRESENTED COMPONENT UNITS

Dr. Jerry Farris, Director of the Environmental Sciences Ph.D. program at Arkansas State University, stands in a wetland used to furnish water retention, and provide habitat for wildlife and waterfowl in Northeast Arkansas. A faculty member since 1992, Farris has been director of the University's ecotoxicology research facility since it was built in 1994 and is chairholder of the Judd Hill Chair of Environmental Biology. The associate professor has been actively involved in leading environmental research at various institutions of higher education, but returned to his home state of Arkansas in 1992 when he joined ASU's faculty.

DISCRETELY PRESENTED COMPONENT UNITS

Component Units are those entities which are legally separate government organizations for which the State's elected officials are financially accountable, or other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading. Discretely Presented Component Units consist of the following:

Arkansas Student Loan Authority - ASLA provides guaranteed educational loans to Arkansas students attending eligible post secondary institutions, and serves as a secondary market and liquidity provider to Arkansas lending institutions which originate guaranteed student loans.

Arkansas Development Finance Authority - ADFA provides financing through the issuance of taxable and tax-exempt bonds for housing, industry, local governments, education, agricultural enterprise, health care, infrastructure projects, jails and prisons. ADFA also offers direct loans for housing, small minority businesses, agriculture and exporting.

Discretely Presented Component Units
Combining Balance Sheet

June 30, 2000
(Expressed in Thousands)

	Arkansas Student Loan Authority	Arkansas Development Finance Authority	Total
ASSETS:			
Cash and cash equivalents	$ 58	$ 160,411	$ 160,469
Investments	30,448	997,687	1,028,135
Receivables, net:			
Accounts		3,044	3,044
Loans	194,564	421,565	616,129
Investment related	4,076	11,089	15,165
Fixed assets, net	11	360	371
Other assets	3,565	85,300	88,865
TOTAL ASSETS	$ 232,722	$ 1,679,456	$ 1,912,178
LIABILITIES AND RETAINED EARNINGS:			
Liabilities:			
Accounts payable	$ 2,196	$ 9,888	$ 12,084
Accrued and other liabilities		84,421	84,421
Revenue bonds payable	214,807		214,807
Special obligation bonds payable		1,475,949	1,475,949
Total Liabilities	217,003	1,570,258	1,787,261
Retained earnings:			
Unreserved	15,719	43,984	59,703
Reserved for bond programs		65,214	65,214
Total Retained Earnings	15,719	109,198	124,917
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 232,722	$ 1,679,456	$ 1,912,178

Discretely Presented Component Units
Combining Statement of Revenues, Expenses and Changes in Retained Earnings
For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Arkansas Student Loan Authority	Arkansas Development Finance Authority	Total
OPERATING REVENUES:			
Investment earnings	$ 16,078	$ 89.070	$ 105.148
Other	1.816	784	2.600
Total Operating Revenues	17.894	89,854	107.748
OPERATING EXPENSES:			
General and administration	515	19.123	19,638
Interest	10.353	86.252	96,605
Other	3.638	1.983	5.621
Total Operating Expenses	14.506	107.358	121.864
Operating Income (Loss)	3.388	(17.504)	(14.116)
NON-OPERATING REVENUE -			
Grants. entitlements and shared revenues		16.025	16,025
Total Non-operating Revenue		16.025	16,025
NET INCOME (LOSS)	3,388	(1.479)	1,909
RETAINED EARNINGS AT BEGINNING OF YEAR	12,331	110,677	123,008
RETAINED EARNINGS AT END OF YEAR	$ 15,719	$ 109.198	$ 124.917

Discretely Presented Component Units Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2000 (Expressed in Thousands)

	Arkansas Student Loan Authority	Arkansas Development Finance Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	$ 3,388	$ (17,504)	$ (14,116)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation, accretion and amortization, net	572	(7,852)	(7,280)
Provision for arbitrage rebate	181		181
Net depreciation on investments		12,381	12,381
Provision for loan loss		3,046	3,046
Changes in operating assets and liabilities:			
Accounts receivable		519	519
Loans receivable	878		878
Investment related receivable	(846)	(2,365)	(3,211)
Other assets	(197)	2,434	2,237
Accounts payable and accrued expenses	(1,918)	3,318	1,400
Other liabilities		12,319	12,319
Net Cash Provided by Operating Activities	2,058	6,296	8,354
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Proceeds from issuance of bonds		377,237	377,237
Repayment of bonds	(4,980)	(278,612)	(283,592)
Payment of debt issuance costs		(2,319)	(2,319)
Collection of financing fees		795	795
Net Cash Provided (Used) by Non-Capital Financing Activities	(4,980)	97,101	92,121
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -			
Proceeds from grants, entitlements and shared revenues		16,025	16,025
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(7,271)	(833,900)	(841,171)
Proceeds from sales and maturities of investments	12,329	711,722	724,051
Net increase in short-term investments	(2,175)		(2,175)
Loan disbursements		(55,943)	(55,943)
Principal repayments on loans		59,738	59,738
Capital lease disbursements		(850)	(850)
Principal repayment on capital leases		4,381	4,381
Net Cash Provided (Used) by Investing Activities	2,883	(114,852)	(111,969)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(39)	4,570	4,531
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	97	155,841	155,938
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 58	$ 160,411	$ 160,469
SUPPLEMENTAL INFORMATION -			
Noncash investing activity - Real estate acquired in settlement of loans	$	$ 567	$ 567

GREAT SEAL OF THE STATE OF ARKANSAS

IN 1999 THE UNIVERSITY OF CENTRAL ARKANSAS CROSS COUNTRY TEAM:

- finished fourth at the GSC championship meet,
- had two runners named to the GTE Academic All-District VI At-Large team,
- again had the top cumulative GPA in the nation among Division II squads (3.96),
- had five players on the GSC All-Academic team (two with 4.0 GPAs), had five more named to GSC Academic Honor Roll (two more with 4.0). That total was the most by by far of any other conference school.

Table 1
Expenditures By Function
General Fund/Year Ended June 30
(Expressed in Thousands)

	2000	1999	1998	1997
Education	$ 2.098.860	$ 1.959.309	$ 1.883.809	$ 1,812,291
Health and human resources	2.698.687	2,614,967	2.496,628	2.437,633
Transportation	622,061	559,572	635.188	677,638
Law, justice and public safety	333.211	311.176	265,313	282.258
Recreation and resource development	203,358	170.619	177.838	163.937
General government	1.025.369	992.322	724.127	751.164
Regulation of business and professionals	161.703	139.345	121.450	147,064
Debt service	77.244	57.917	54.876	77.360
Capital outlay	142,227	120,525	110.988	184,003
Other				
Total Expenditures	$ 7.362.720	$ 6,925.752	$ 6,470,217	$ 6.533.348

NOTE: The expenditures for fiscal years 1994 through 1991 are shown on a cash basis.

Table 2
Revenues By Source
General Fund/Year Ended June 30
(Expressed in Thousands)

	2000	1999	1998	1997
Taxes:				
Personal income	$ 1.697,354	$ 1,625.316	$ 1,553,778	$ 1,378,162
Consumer sales	1.651,341	1.560.892	1.476.686	1,435,841
Corporate net income	247.247	248,664	268,605	236.538
Gas and motor carrier	419.979	386.503	368.050	355,586
Other	349.969	353,136	361,071	312.704
Intergovernmental	2,613.654	2.459.368	2.387.385	2.335,367
Licenses. permits and fees	481,078	438.174	414,338	381,498
Investment earnings	102.158	108,000	90,169	68.888
Other	442.979	390.236	241.826	386,352
Total Revenues	$ 8,005.759	$ 7.570.289	$ 7.161.908	$ 6,890,936

NOTE: The revenues for fiscal years 1994 through 1991 are shown on a cash basis.

	1996	1995	1994	1993	1992	1991
	$ 1,690,844	$ 1.629,154	$ 1,539,641	$ 1,415,624	$ 1.384,835	$ 1,228,314
	2.297.385	2,067.465	2.834,720	1,885,566	2.571.880	2,052,311
	579,417	483,972	517.992	510,369	513.979	396,162
	241.228	200,574	268.862	240,411	197,277	180,454
	178.519	150.509	132,716	136,780	114,284	117,197
	783.378	722,077	954,499	757,474	346,702	306,314
	130.339	126.415	95,751	85,913	111.519	102,143
	27,413	9.184	12,374	45,328	9,920	
	94.874	73,812	6,984	11,912		
					4,324	
	$ 6,023.397	$ 5,463,162	$ 6.363,539	$ 5,089.377	$ 5,254,720	$ 4,382,895

	1996	1995	1994	1993	1992	1991
	$ 1,328,615	$ 1,227.075	$ 1,117.530	$ 1,051,909	$ 970.883	$ 908,054
	1,364.977	1,312,884	1,220,868	1,429,880	1,039,540	890,592
	259.056	214,712	204,027	177.368	152,218	134,812
	353,598	348,296	334,691	315,540	349,881	228,985
	407,647	328.390	306,335	295,988	202,725	196,552
	2,213,786	1,990,879	1,731,468	1,625,469	1,519,246	1,296,045
	355,742	255,279	227,750	194,456	182,783	157,621
	66,033	48.931	25,483	30,119	12,984	13,561
	361,376	333.038	1,473,901	366,649	1,413,874	1,019,139
	$ 6,710.830	$ 6,059.484	$ 6,642,053	$ 5,487,378	$ 5,844,134	$ 4,845,361

Table 3
Ratio of Outstanding General Obligation Debt to Assessed Value and Net Debt Per Capita For the Last Ten Fiscal Years (Expressed in Thousands - Except for Ratio and Per Capita Data)

For the Year Ended June 30	Population	Assessed Property Value	General Obligation Debt	Net General Obligation Debt: Per Capita	Net General Obligation Debt: Ratio Assessed Value
2000	2.574	$22,696,148	$ 546,172	212.19	0.024
1999	2,557	21,648,239	388,336	151.87	0.018
1998	2,540	20,796,084	400,402	157.76	0.019
1997	2,525	19,894,960	299,101	118.74	0.015
1996	2,507	18,383.044	244,683	97.87	0.013
1995	2,483	17,020,575	146,729	59.16	0.009
1994	2,449	16,638,626	149,261	60.95	0.009
1993	2,422	15,755,563	148,035	61.12	0.009
1992	2,392	15,200,446	132,040	55.20	0.009
1991	2.369	14,652,881	37,420	15.80	0.003

Sources -

Population: State of Arkansas Department of Finance and Administration Economic Analysis and Tax Research

Assessed Property Value: *Assessment Coordination Division of the Public Service Commission*

Table 4
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Revenues and Expenditures For the Last Ten Fiscal Years (Expressed in Thousands)

For the Year Ended June 30	Debt Service	Total Revenue	Ratio	Total Expenditures	Ratio
2000	$77,244	$8,005.759	.0096	$7,362,720	.0105
1999	57,917	7,570,289	.0077	6,925,752	.0084
1998	54,876	7.161,908	.0077	6,470,217	.0085
1997	77,360	6,890,936	.0112	6,533,348	.0118
1996	27,413	6,710,830	.0041	6,023,397	.0046
1995	9,184	6,059,484	.0015	5,463,162	.0017
1994	12,374	6,960,842	.0018	6.363,539	.0019
1993	45,328	5.487,378	.0083	5.089,377	.0089
1992	9,920	5,844,134	.0017	5,254,720	.0019
1991	14,490	4,845,361	.0030	4,382,895	.0033

Table 5
Revenue Bond Coverage
For the Last Ten Years
(Expressed in Thousands)

	Gross Revenue (1)	Direct Operating Expense	Net Revenue Available For Debt Service	Principal	Interest	Total Debt Service	Coverage
Arkansas Student Loan Authority							
2000	$44,630	$2,902	$41,728	$4,730	$10,353	$15,083	2.77
1999	42,470	2,775	39,695	1,665	12,002	13,667	2.90
1998	37,510	2,572	34,938	2,100	12,200	14,300	2.44
1997	33,702	2,360	31,342	8,570	12,554	21,124	1.48
1996	31,471	2,076	29,395	2,575	10,968	13,543	2.17
1995	29,253	2,001	27,252	3,200	10,379	13,579	2.01
1994	22,198	1,673	20,525	3,415	7,470	10,885	1.89
1993	16,257	1,435	14,822	3,680	5,315	8,995	1.65
1992	12,876	1,216	11,660	6,680	3,734	10,414	1.12
1991	12,634	1,067	11,567	3,150	4,612	7,762	1.49

(1) Includes principal payments on student loans which are available for debt service.

Table 6
Demographic Statistics
For the Last Ten Years

Calendar Year		Total Population (in thousands)	Per Capita Personal Income	Unemployment Rate
2000	(forecast)	2,574	$23,246	4.4 %
1999		2,557	22,069	4.5 %
1998		2,540	21,149	5.5 %
1997		2,525	20,334	5.3 %
1996		2,507	19,425	5.4 %
1995		2,483	18,524	4.9 %
1994		2,449	17,757	5.3 %
1993		2,422	17,005	6.1 %
1992		2,392	16,439	7.2 %
1991		2,369	15,266	7.3 %

Source:
State of Arkansas Department of Finance and Administration Economic Analysis and Tax Research

Table 7
Economic Statistics
For the Last Ten Years
(Expressed in Millions)

Calendar Year	Gross State Product (Stated in 1992 Dollars)	Personal Income
2000	$58.633	$57,855
1999	56,446	56,421
1998	54.762	53,726
1997	53,209	51,344
1996	51,445	48,700
1995	49,690	45,996
1994	48,251	43,498
1993	45,355	41,190
1992	43,810	39,323
1991	41,623	36,164

Source:
State of Arkansas Department of Finance and Administration Economic Analysis and Tax Research

Table 8
Property Values, Taxable Sales, Bank Deposits and Bank Loans
(Expressed in Millions - Except for Bank Number Data)

			Banks			
Calendar Year Ended	Assessed Property Values	Retail Sales	Number	Deposits	Loans	Assets
2000	$22.696	$25,740	N/A	N/A	N/A	N/A
1999	21.648	24,902	195	$22,467	$16,433	$26,725
1998	20.796	23,478	202	21,503	14,772	25,128
1997	19.895	22,995	226	24.704	17,159	28.735
1996	18,383	22,707	233	26,453	17,515	30,633
1995	17,021	21.230	242	24,057	16,298	27,987
1994	16.639	20,231	257	23,431	14,085	27,085
1993	15,756	18,286	257	22,109	12,642	25,164
1992	15,200	17,455	258	21,534	11.636	24,371
1991	14,653	16,046	255	19,388	11.060	21,860

N/A - Information not available.

Sources:

Assessed Property Value:	Assessment Coordination Division of the Public Service Commission
Taxable Sales:	State of Arkansas Department of Finance and Administration Economic Analysis and Tax Research
Banks:	State Bank Department; FDIC Database

Table 9
Twenty-five Largest Private Sector Employers in Arkansas

	Company	Number of Employees
1.	Wal-Mart Stores Inc.	37,800
2.	Tyson Foods Inc.	23,841
3.	Baptist Health	7,311
4.	StaffMark Inc.	5,889
5.	ConAgra Inc.	5,031
6.	Beverly Enterprises Inc.	4,986
7.	Georgia Pacific Corporation	4,800
8.	Alltel Corporation	4,800
9.	Emerson Electric Company	4,139
10.	International Paper Company	3,948
11.	St. Vincent Health System	3,570
12.	Union Pacific Railroad Co.	3,529
13.	Arkansas Children's Hospital Inc.	3,293
14.	Whirlpool Corporation	3,100
15.	White Consolidated Industries	3,097
16.	Entergy Corporation	3,020
17.	J.B. Hunt Transport Services Inc.	3,011
18.	SBC Communications Inc.	3,000
19.	Dillard's Incorporated	2,808
20.	Kroger Co.	2,700
21.	O.K. Industries Inc.	2,492
22.	Acxiom Corp.	2,381
23.	Cargill	2,317
24.	Cooper Tire and Rubber Co.	2,300
25.	Baldor Electric Co.	2,058

Source:

Arkansas Business Book of Lists, 8th Edition

Table 10A
Miscellaneous Public Education Statistics
For the Last Ten Years

School Year Ended	Number of Schools	Average Daily Attendance	Number of Teachers	Pupil-Teacher Ratio
2000	*	*	*	*
1999	1,108	421,933	30,745	13.72
1998	1.149	429,892	29,616	14.52
1997	1,104	426,983	29,415	14.52
1996	1,095	420,901	29.344	14.34
1995	1.095	418.222	28.875	14.48
1994	1.119	414.065	28,550	14.50
1993	1.082	411,306	28.180	14.60
1992	1.095	409.174	28.206	14.51
1991	1,103	406.631	25.360	16.03

* - Information not available for 2000.

Source:
Annual Status Report of the Public Schools of Arkansas and Arkansas Statistical Report

	Expenditure on Education Per Pupil in Daily Attendance			% Revenue from State Government		
School Year Ended	U.S.	AR	AR Rank	U.S.	AR	AR Rank
2000	*	*	*	*	*	*
1999	*	*	*	*	*	*
1998	$6,638	$5,848	34	49.10%	60.80%	14
1997	6.335	4,498	48	48.70	65.90	6
1996	6.103	4.353	48	47.90	65.40	7
1995	5.894	4.059	49	46.00	63.60	9
1994	5.730	3.949	49	45.80	62.70	11
1993	5.616	3.928	47	46.90	62.30	11
1992	5,466	3,770	46	47.90	62.80	12
1991	5.261	3,334	48	48.90	61.20	12

* - Information not available.

Source:
Computed from National Education Association Research, Estimates Data Bank - 1998

Table 10B
Miscellaneous Higher Education Statistics
For the Last Ten Years

Public Institutions

	Fall Net Enrollment	Degrees Awarded: Undergraduate	Graduate	Total
1999-00	99,225	13,752	2,925	16,677
1998-99	97,742	13,027	2,951	15,978
1997-98	95,435	12,743	2,869	15,612
1996-97	92,069	13,152	2,910	16,062
1995-96	90,276	12,543	2,729	15,272
1994-95	89,466	11,907	2,823	14,730
1993-94	89,230	11,684	2,754	14,438
1992-93	88,764	11,351	2,641	13,992
1991-92	81,121	9,126	2,408	11,534
1990-91	77,554	8,515	2,297	10,812

Private Institutions

	Fall Net Enrollment	Degrees Awarded: Undergraduate	Graduate	Total
1999 00	11,015	2,013	111	2,124
1998-99	10,781	1,871	76	1,947
1997-98	10,698	1,950	80	2,030
1996-97	11,116	1,893	90	1,983
1995-96	10,969	1,786	80	1,866
1994-95	10,703	1,566	59	1,625
1993-94	10,602	1,634	73	1,707
1992-93	10,422	1,675	62	1,737
1991-92	10,145	1,730	63	1,793
1990-91	10,051	1,616	105	1,721

Source:

On-Campus Enrollment and Geographic Origins in Arkansas Higher Education - Fall 1989-1993; Fall Student Enrollments 1998.

Annual Summary Report of Degrees Granted by Arkansas Institutions of Higher Education, 1990-91 to 1994-95; Degrees and Certificates Awarded by Arkansas Higher Education, 1995-96 to 1998-99.

Table 11
Miscellaneous Statistics

Date of Statehood	1836
Form of Government	Constitutional Representative Government
Land Area	34,036,700 Acres
Miles of State Highway	16,367
State Police Protection:	
Number of Stations	17
Number of State Police	559
Higher Education (State supported):	
Number of Campuses	32
Number of Students	99,225
Recreation:	
Number of State Parks	48
Area of State Parks and Forests	51,387 Acres
Number of Museums	5